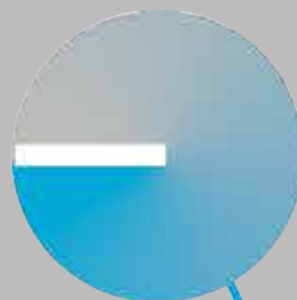


Annual Report  
Enel Chile  
2016



enel

**Santiago Stock Exchange**  
**ENELCHILE**

**Nueva York Stock Exchange**  
**ENIC**

Enel Chile S.A. was initially incorporated as Enersis Chile S.A. on March 1<sup>st</sup>, 2016 and changed to Enel Chile S.A. on October 18<sup>th</sup>, 2016. As of December 31<sup>st</sup>, 2016, the total share capital of the Company was Th\$ 2,229,108,975 represented by 49,092,772,762 shares. Its shares trade on the Santiago Stock Exchange and the New York Stock Exchange as American Depositary Receipts (ADR).

The main business of the Company is the development, operation, generation, distribution, transformation, or sale of energy in any form, directly or through other companies.

Total assets of the Company amount to Th\$ 5,398,711,012 as of December 31<sup>st</sup>, 2016. Enel Chile controls and manages a group of companies that operate in the Chilean electricity market. Net profit attributable to the controlling shareholder in 2016 reached Th\$ 317,561,121 and operating income reached Th\$ 457,202,938. At year-end 2016 the Company directly employed 2,010 people through its subsidiaries in Chile.



# Annual Report Enel Chile 2016





# Summary

> Letter from the Chairman	4
> Open Power	10
> Highlights 2016	12
> Main Financial and Operating Data	16
> Identification of the Company and Documents of Incorporation	20
> Ownership and Control	26
> Management	32
> Human Resources	54
> Stock Markets Transactions	64
> Dividends	70
> Investment and Financing Policy	76
> History of the Company	80
> Investments and Financial Activity	84
> Risk Factors	92
> Corporate Reorganization	112
> Industry Regulation and Electricity Industry Operations	116
> Electricity Generation	128
> Electricity Distribution	146
> Environment and Sustainability	152
> Participation in subsidiaries & associates and schematic table	160
> Significant Events	164
> Identification of Subsidiaries and Associate Companies	172
> Statement of Responsibility	182
> Consolidated Financial Statements	186
> Management Analysis of Consolidated Financial Statements	344
> Subsidiaries' Summarized Financial Statements	372

# Letter from the Chairman

Dear shareholders,

The first Annual Report and Financial Statement of Enel Chile S.A., company created as part of the reorganization of Enersis S.A. that began in 2015, is now in your hands. The company is engaged in electricity generation and distribution in Chile through its subsidiaries Enel Generación Chile and Enel Distribución Chile.

I would like to thank the Board of Directors members of Enel Chile, whom, this past April 29<sup>th</sup>, trusted me with the responsibility of leading this company. During these months, we have worked openly and have obtained excellent results thanks to the dedicated effort of the Group's executives, professionals, and technicians. I would also like to recognize Nicolas Cotugno, CEO of Enel Chile, who joined the company in August 2016. He has been crucial in facing the challenges we have set as a company: to be open, focusing on sustainability and our relationship with customers and the service we provide, and creating value that is transparent to shareholders. I appreciate the dedication of the Board, including members that have been chosen by the controlling shareholder as well as independent members, and the work carried out by the secretary and general counsel, Domingo Valdés.

We have been able to achieve the goals set for the company for 2016 thanks to everyone's work and dedication. In March, we formally created Enersis Chile S.A., one of the forty companies that comprise the IPSA in the Chilean market, and one of the companies in the MSCI index of the New York Stock Exchange (NYSE). We also faced the public electricity tenders carried out in August and with satisfactory results. In December, we finished installing over 50,000 smart meters in the city of Santiago. Following a reflective process in which we asked ourselves what kind of company we want to be and considering the new challenges in the electricity sector, we decided to change the Group's philosophy and brand name in Chile.

## Generation alongside Enel Generación Chile

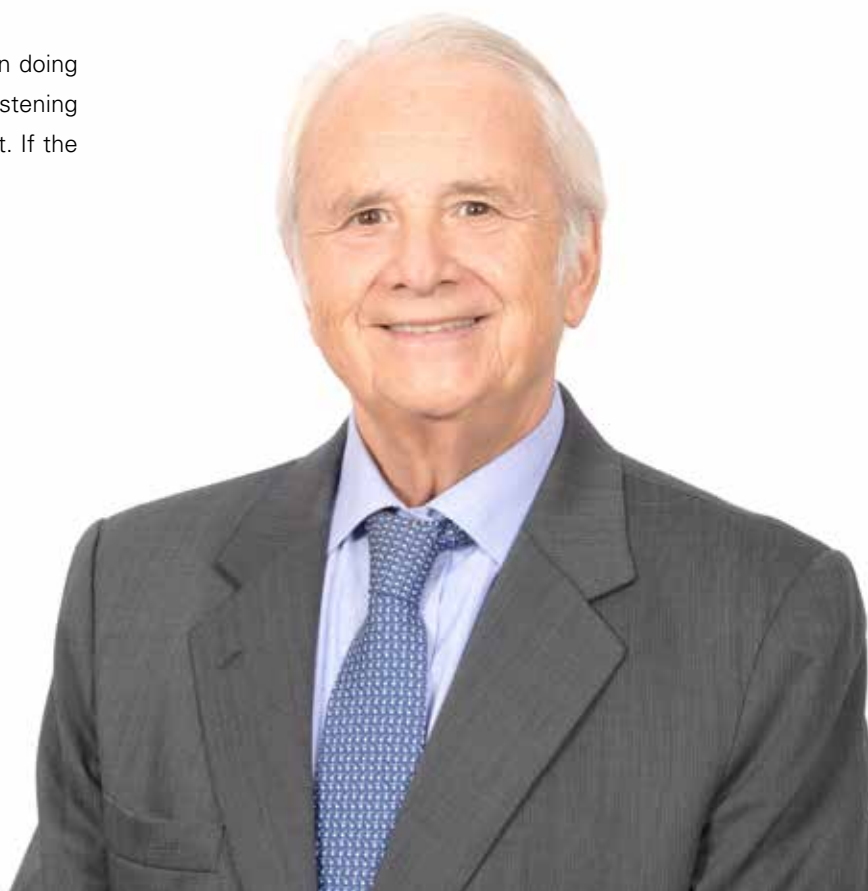
During 2016, we witnessed a strong and rapid change in the electricity sector. This change is not just happening in Chile it's happening all over the world. Costs of electricity generation have dropped thanks to new and different

technologies. The USD 47.59 average price per MWh in the August 2016 public electricity tenders represents a historic minimum since the tender system was implemented in Chile. Through Enel Generación Chile, and thanks to the Company's solid and diversified energy matrix, we obtained excellent results. We were awarded 5,950 GWh, 48% of the 12,430 GWh tendered.

There is more electricity generation in the world today than customers, and Chile has been following this same trend. I am convinced that building new power plants just for the sake of building them does not make sense in the world today. However, this doesn't mean that we will disregard the development of new projects when growth opportunities for the Group arise.

We hope to have the Los Cóndores hydroelectric power plant, being built in El Maule region, operating by 2018. We also welcome the idea of entering the gas business. Today we have six satellite regasification plants located in Talca, Coquimbo, La Serena, Los Andes, San Antonio, and Temuco.

I would like to highlight the work that we have been doing with local communities. Today, we should be open to listening to our neighbors and must care for our environment. If the



previous strategy was to ask for forgiveness, our approach today is to ask for permission. With this in mind, we have made significant progress regarding our relationship with communities in Paposo, who live close to our Taltal power plant in the north, and with several Pehuenche communities in Alto Biobio, among others.

## Electric Distribution through Enel Distribución Chile

2016 was a year of important changes in the distribution sector. New uses for electricity prompted us to change the traditional metering system to a digital two-way metering system that keeps our customers permanently connected to the company. We finished the first phase of this project, replacing 50,000 meters within the 33 districts of the

Metropolitan Region where Enel Distribución operates. We were the first to introduce smart metering in Latin America, a technology that is not new to the world, but that we have successfully brought to Chile with the endorsement and experience of our parent company, Enel. Enel has already implemented this technology in over 40 million homes in Europe, mainly in Italy and Spain.

Regarding electric mobility, we took a significant leap into the future. I am very satisfied with what was accomplished during 2016, although the task must continue in 2017 with even more strength. In the short term, we see great opportunities to incorporate zero emissions mobility to the streets of Santiago, considering Transantiago's next public tender, and the country's decontamination plans. We are focused on supporting and promoting these projects through electric mobility, to offer clean and efficient transportation for the country. We will also continue to expand our network of public charging stations in Santiago and the rest of the country. You will start seeing more and more "Electrolineras."

## Enel Chile Kick-off

Another highlight during 2016 was the kick-off of our new corporate image. Even though the company was incorporated in March as Enersis Chile S.A., on October 4<sup>th</sup>, 2016 we presented a proposal to change that name. We are convinced that we must make clear to our customers, authorities, and all citizens, our determination to work with tenacity not to forget the past, but to face future challenges. Our initiative was welcomed by the shareholders of Enersis Chile, Endesa Chile, and Chilectra, who approved changing the name to Enel.

As I stated while launching the new brand in December, Enel Chile was created to contribute to the development of the country with an open power vision. With collaborative and global vocation, we seek to create, grow, and lead the new energy era.

Dear shareholders, I want to close this letter reassuring my commitment to the challenges that we have taken on as a Group. I am convinced that the projects we have designed for Enel Chile, and the subsidiaries Enel Generación Chile and Enel Distribución Chile, are ambitious but commensurate to the future of the electricity sector in Chile.

We will focus on increasing the number of customers and digitalizing our relationship with customers. I completely agree with Enel CEO Francesco Starace's vision regarding the importance of focusing on having more customers rather than more generation. I believe this equation is a very efficient one when it comes to managing the Group's equity.



Herman Chadwick Piñera  
Chairman









Corporate Building. 76 Santa Rosa Ave.  
New Brand Kick-off, November 30<sup>th</sup>, 2016

# ENEL CHILE IS **OPEN POWER**

Over the last decades, Enel has offered the world energy, innovation, and progress. It has touched the lives of thousands of people by changing the way in which they relate to energy. Today, understanding that the world has changed and the way things are done has changed, Enel Chile takes on the responsibility to lead the changes in the energy industry to change the world into a new, sustainable world and with the support of local communities.

This new philosophy is Open Power and requires Enel Chile, and its subsidiaries Enel Generación Chile and Enel Distribución Chile to be open. Today the challenge is to open electricity to more people, partners, and add new applications to electricity. It implies opening it to new technologies and management methods.

Open Power involves creating a new shared culture, with a long-term vision and a mission defined by five aspects and four principles that define the DNA of the Enel Group.





# MISSION

Open energy  
to more people

Open energy to  
new technologies

Offer people new ways  
to manage energy

Open the Company  
to more stakeholders

Open energy  
to new applications

# VISION

Open Power to solve relevant global challenges

# VALUES

## Responsibility

Each one of us is responsible for the success of the group, at every level. We place our energy at the service of people to improve their lives and make them more sustainable.

## Innovation

We live and work curiously, we make efforts to go beyond the ordinary and we overcome our fears, in order to open the energy to new uses, technologies and people. We learn from our mistakes and from our successes.

## Trust

We act in a skilled, honest and transparent way, in order to gain our colleagues, clients and stakeholders' confidence, and we also value the individual differences. At the same time, we trust in their ability to create and share value.

## Proactivity

We take care of our job in first person. We interpret permanently the scenarios and global challenges to anticipate changes, thus redefining our priorities when needed.

# ■ Highlights 2016



## JANUARY

**The Hydraulic Works Authority, the Maule Surveillance Board, and Enel Generación Chile reach an agreement to optimize the use of water for both irrigation and hydroelectric generation**

On January 4<sup>th</sup>, 2016, the Hydraulic Works Authority (DOH in its Spanish acronym), which reports to the Ministry of Public Works, and Enel Generación Chile, signed an agreement that offers flexibility to the operation of the Maule Lagoon reservoir, the La Invernada Lagoon, and the Maule River. It is supplementary to the agreement in force since 1947 and ensures the use of water for farming and electricity generation.

**Enel Generación Chile and Universidad de Concepcion signed an Agreement for the Reforestation of 700 hectares with native species**

This agreement is an environmental initiative that is among the responsibilities of the Company as part of the construction of the Ralco hydroelectric power plant located in the Alto Biobio district. It was formalized on January 20<sup>th</sup>, 2016 and leads to roughly 3 million 200 thousand trees to be planted within a four-year period.



## FEBRUARY

**Standard & Poor's ratifies the BBB+ rating of Enel Generación Chile**

The risk rating agency Standard & Poor's confirmed the "BBB+" with a stable outlook international rating of Enel Generación Chile on February 3<sup>rd</sup>, 2016.



## MARCH

**Enel Chile is created**

According to the decision adopted by the Extraordinary Shareholders Meeting held on December 18<sup>th</sup>, 2016, Enel Chile S.A. was incorporated on March 1<sup>st</sup>, 2016 as a privately held limited liability stock corporation which arises from the division of Enersis S.A. (currently Enel Américas S.A.).

Also, as of March 1<sup>st</sup>, 2016, Enel Generación Chile and Enel Distribución Chile became subsidiaries of the new company Enel Chile S.A., which controls all generation and distribution assets located in Chile.

**Woman's Energy Award celebrates ten years of existence**

Within the context of the International Women's Day, Enel Chile and its subsidiaries Enel Generación Chile and Enel Distribución Chile acknowledged 13 outstanding women for their contribution to the social development of the country. Each one was awarded for her contribution to her particular field, such as art, music and lyrics, public service, environment, energy efficiency and sustainability, education, innovation and new ventures, public debate, community work, journalism, entertainment, social communication, and sports.

**Enel Generación Chile and Energas distribute natural gas to Coquimbo and La Serena**

Máximo Pacheco, the Secretary of Energy at the time, led the inauguration ceremony of the new LNG regasification satellite plant (PSR in its Spanish acronym)



of Enel Generación Chile. This plant allows natural gas and its many benefits for commercial and household users to become a reality in Coquimbo and La Serena. This plant responds to an agreement between Enel Generación Chile that owns the plant, and GasValpo – through Energas. It represents a new highly efficient energy alternative, environmentally friendly and at increasingly competitive prices.

**Fitch Ratings ratifies the AA rating of Enel Generación Chile**

On March 2<sup>nd</sup>, 2016, Fitch Rating ratified its "BBB+," rating in the local and foreign currency of Enel Generación Chile and also its "AA (cl)" long-term local rating. Also, outlooks were upgraded to "Positive."

**Enel Distribución Chile begins changing the traditional meters of 50 thousand customers replacing them with smart meters**

Maximo Pacheco, the Secretary of Mining at the time, and the Chief Executive Officer of Enel Distribución Chile, Andreas Gebhardt, presented the new smart metering system for the La Florida district. This innovative technology allows customers to manage their electricity consumption directly. The smart meter offers customers relevant information about the electricity use of their home enabling them to change habits in order to use electricity more efficiently.



## APRIL

**Enel Chile begins trading on the Santiago and the New York Stock Exchange.**

On April 21<sup>st</sup>, 2016, after registering Enel Chile in the securities' registers, the Company's shares began trading on the Chilean and the United States securities' markets.

**Enel Chile was included in the IPSA Index and the Morgan Stanley Capital International Index**

Enel Chile was included in the IPSA of the Santiago Stock Exchange on April 21<sup>st</sup>, 2016. Its inclusion represents the market's recognition of the Company's solvency, considering that since the Company was created in March of 2016 and therefore was lacking trading history to support the decision. Consequently, the most relevant index of the Santiago Stock Exchange began to include 42 companies. Also, on April 22<sup>nd</sup>, the Morgan Stanley Capital International Index (MSCI) added Enel Chile to its index as Large Cap.



**Herman Chadwick was elected Chairman of the Board of Directors of Enel Chile**

On April 29<sup>th</sup>, 2016, the Board of Directors of Enel Chile appointed Mr. Herman Chadwick Piñera, formal head of Copsa, the infrastructure trade association, and former Chairman of the National Television Council, as Chairman of the Company. Mr. Giulo Fazio was appointed Vice Chairman. Fazio. The independent Directors Gerardo Jofré, Pablo Cabrera, and Fernán Gazmuri were appointed as members of the Directors' Committee, and Mr. Gazmuri was appointed Chairman of the Committee.

**Enel Chile is rated "AA" by Feller Rate and Fitch Rating**  
Feller Rate and Fitch Rating' gave Enel Chile a local rating "AA" with a stable outlook. This rating was ratified in July.



#### MAY

**Enel Chile signs and agreement with Anglo American Sur**

Enel Generación Chile signed a contract to supply electricity to all operations of Anglo American Sur (Los Bronces, El Soldado, and Chagres). The estimated consumption of these operations is 2 TWh per year and is one of the two largest industrial customers of the Central Interconnected System (SIC in its Spanish acronym). This agreement with Anglo American Sur has a ten-year term beginning in 2021 and represents a milestone regarding the Company's relationship with the country's nonregulated customers.

**Enel Generación Chile, Enap, and Metrogas sign an agreement to export gas to Argentina**

Within the context of the Energy Convention between Chile and Argentina which took place in early 2016, on May 12<sup>th</sup>, 2016, Enel Generación Chile, Enap, and Metrogas, signed an agreement to export gas to Argentina. The additional 3 million m<sup>3</sup>/day of gas were delivered from the central region of Chile between June 1<sup>st</sup> and August 31<sup>st</sup>. The volume exported by Metrogas, Enap and Enel represented 14%, 29% and 57% of the total volume considered by the Convention between both countries.



**The Santiago Municipality and Enel Distribución Chile inaugurated the first electric bus in the country and will be free of charge for passengers in the downtown area of the city.**

The first 100% electric bus will cover the downtown area of the city free of charge for the residents, workers, students, tourists and others. The goal is to take them closer to their destinations in a sustainable and responsible way, and spending 70% less than in a similar fuel charged vehicle. Passengers will enjoy free Wi-Fi and cellular phone chargers in every seat. The bus has 250 kilometers autonomy. Its battery has nearly 15 years of useful life, it may be charged in 5 hours, and emits no pollutants. The full charge of the BYD K9 battery costs a bit more than 20 thousand Chilean pesos, and runs 1 km per kWh, therefore costs approximately 80 Chilean pesos per kilometer.



#### JUNE

**Enel Generación Chile sold its stake in GNL Quintero**

Enel Generación agreed to sign a sales contract to sell its 20% ownership share of GNL Quintero to Enagás Chile, a subsidiary wholly owned by the Spanish company Enagás. Enel Generación Chile decided to sell its interest in GNL Quintero because it was not strategically relevant to develop the electricity business nor the natural gas trading business of the Company. Financially, the transaction represented approximately US\$ 139 million in net income for Enel Generación Chile.



#### JULY

**Nicola Cotugno is appointed Chief Executive Officer of Enel Chile**

The Board of Directors of Enel Chile appointed Mr. Nicola Cotugno as Chief Executive Officer of the Company after the resignation of Mr. Luca D'Agnese and informed that the resignation would take effect on August 16<sup>th</sup>, 2016. From that date on Mr. Luca D'Agnese will continue as Chief Executive Officer of Enel Américas.

**Feller Rate confirms rating of Enel Generación Chile**

On July 8<sup>th</sup>, 2016. Feller Rate confirmed the domestic "AA" stable outlook rating on local bonds, shares, and trade bills.



**Enel Distribución Chile** installs the first photovoltaic system at a public hospital in the city of Parral in Chile.

The project is part of the Solar Public Roof Project of the Energy Agenda that focuses on installing photovoltaic systems on public building roofs. The investment of the project exceeded ch\$ 57 million and will allow the hospital to save more than ch\$ 5 million a year on electricity.

**Enel Chile is rated "BBB+" by Standard & Poor's**

The risk rating agency Standard & Poor's began the international rating of Enel Chile on July 22nd, 2016. The Company was rated "BBB+" with a stable outlook.



## AUGUST

**Enel Generación Chile** relinquish the water rights of five projects

After carefully analyzing the profitability of the projects and the social and environmental impacts, the board of directors of Enel Generación Chile decided to relinquish the water rights related to hydroelectric projects Bardón; Chillán 1 and 2; Futaleufú; Puelo and Huechún. The total investment in these projects, which amounted to USD 52 million, was written-off in 2016.



## SEPTEMBER

**The Minister of Energy at the time, Maximo Pacheco informs on construction progress of the Los Cóndores hydroelectric project**

The power plant will allow supplying nearly 150 MW to the Central Interconnected System (SIC In its Spanish acronym). One of the highlights of this project is its underground cabling, having practically no infrastructure at sight, and consequently causing a minimum environmental impact. The land on the surface will return to its original state once the power plant begins operations towards the end of 2018.

**Bike Santiago and Enel Distribución Chile began a new era in bike sharing in the Lo Barnechea district with the electric e-bike.**

The new electric e-bike was primarily conceived as a bike for steep terrain. It is equipped with a 250 KW/hr. electric motor with a sensor that determines when the bike rider needs "help" pedaling to reach a maximum speed of 25 km/hr. The bike has 100 kilometers autonomy and it takes 4 hours to charge the battery.



## OCTOBER

**Shareholders' Meetings approve changing the Companies' names**

The Shareholders' Meetings of Enersis Chile, Endesa Chile and Chilectra on October 4<sup>th</sup>, 2016, approved changing the names of the three companies to Enel Chile, Enel Generación Chile, and Enel Distribución Chile, respectively. The decision responds to the new strategy of the Group consisting in getting ahead of the new worldwide energy industry scenario.

**Enel Distribución begins testing social network self-service**

By using hashtag #luz in Twitter when facing an electricity emergency, the customers of Enel Distribución located in the Metropolitan Region of Chile receive a quicker response from the Company. This service responds to the new instant messaging self-service platform named "Chattigo." Chattigo was one of the three startups selected in 2015 by the "Energy Start" program of Enel Distribución.



**Enel Distribución Chile was awarded the Photovoltaic project for the Antofagasta Region**

In October 2016, Enel Distribución Chile won the bid "Purchase and installation of photovoltaic systems for the Chilean Army's Motorized Squad No1 in Calama, Antofagasta as part of the Solar Roof Program "The building awarded to Enel Distribución Chile is located in Calama where a 100 kWh photovoltaic system will be installed.



## NOVEMBER

[Enersis Chile begins to trade as Enel Chile](#)

On November 7<sup>th</sup>, 2016, the shares of Enel Chile S.A. began to trade under the new stock market ticker ENELCHILE.

[Vreni Häussermann, director of the Huinay Scientific Center, receives the Rolex Award for Enterprise 2016 for exploring Chilean Patagonia Waters](#)

On November 16<sup>th</sup>, 2016, the Rolex Awards for Enterprise acknowledged Vreni Häussermann, the Director of the Huinay Scientific Center owned by Enel Generación Chile and the Pontificia Universidad Católica de Valparaíso. The center is fully financed by Enel, and its purpose is to discover, explore and protect the Chilean Patagonia Fiords through a marine investigation program. The goal of the program is the sustainable use and preservation of the fiords. Thanks to this award, Vreni Häussermann will be able to continue exploring the sea using a submersible that can reach 500 meters deep underwater. Until now her investigations could not go deeper than 30 meters.

[Enel Distribución Chile](#)

[completed the installation of 50 thousand smart meters](#)

On November 28<sup>th</sup>, 2016, Enel Distribución completed the first phase of the smart meter replacement plan for residential customers in the Metropolitan Region. As a result, Enel Chile becomes the first company, domestically, to install new technology that will: allow remote reading; generate a two-way communication mechanism between the company and its customers; promote self-generation of electricity by using photovoltaic panels enabling customers to consume the energy generated or feed it to the distribution network.

[Enel Chile presents its new corporate image](#)

On November 30<sup>th</sup>, 2016, the new corporate image of Enel Chile was presented at the Company's headquarters located at 76 Santa Rosa Ave. The employees of the Company and important authorities from both public and private sectors attended the event. The Chief Executive Officer of the Company Nicola Cotugno said, "We strive to be a company that is more and more transparent, flexible, dynamic and collaborative."

## DECEMBER

[Enel Generación Chile and Taltal power plant rebuild their relationship with the territory](#)

Eight social institutions, Paposo community representatives, and Enel Generación Chile signed a Memorandum of Understanding representing a new phase in the relationship between the Company and the neighbors of the Taltal power plant. The MOU was suggested by the Ministry of Energy as part of the approval process of the Taltal power plant's optimization project. It enables opening a work environment to deal with community and company concerns.

[Moody's confirms rating of Enel Generación Chile](#)

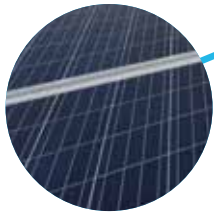
The risk rating agency Moody's Rating Services ratified the Baa2 corporate rating of Enel Generación Chile and with a stable outlook.

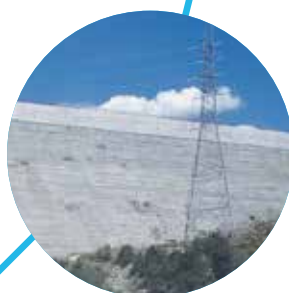
[Enel Distribución Chile](#)

[releases its new image on its electricity bill](#)

On December 1<sup>st</sup>, 2016, Enel Distribución Chile presented its new electricity bill to its 1.8 million customers, including residential, commercial and industrial customers located within the Company concession area comprised by 33 districts of the Metropolitan Region







## Main Financial and Operating Data





As of December 31<sup>st</sup> of each year (figures in millions of Chilean pesos)<sup>(1)</sup>

	2010	2011	2012	2013	2014	2015	2016 <sup>(5)</sup>
<b>Total Assets</b>							<b>5,398,711</b>
<b>Total Liabilities</b>							<b>1,935,717</b>
Operating Revenue							2,136,041
<b>Ebitda</b>							<b>627,547</b>
Net Income <sup>(2)</sup>							317,561
Current Ratio							1.13
Debt Ratio <sup>(3)</sup>							0.56

As of December 31<sup>st</sup> of each year

Generation Business	2010	2011	2012	2013	2014	2015	2016
Number of employees		1,155	1,141	1141	1261	995	15,924
Number of Generation units	107	107	105	105	111	111	111
Installed capacity (MW)	5,611	5,611	5,571	5,571	6,351	6,351	6,351
Electricity generated (GWh)	20,914	20,722	19,194	19,432	18,063	18,294	17,564
Energy sales (GWh)	21,847	22,070	20,878	20,406	21,157	23,558	23,689

As of December 31<sup>st</sup> of each year

Distribution Business	2010	2011	2012	2013	2014	2015	2016
Energy sales (GWh) <sup>(4)</sup>	13,098	13,697	14,445	15,152	15,690	15,893	15,924
Number of customers	1,609,652	1,637,977	1,658,637	1,693,947	1,737,322	1,780,780	1,825,519
Energy losses	5.80%	5.50%	5.40%	5.30%	5.32%	5.31%	5.33%
Number of employees	719	712	734	745	690	686	688
Customers/Employees	2,239	2,301	2,260	2,274	2,518	2,596	2,653

(1) Accounting figures as determined by the instructions and regulations issued by the SVS.

(2) Net earnings attributable to the controlling shareholder.

(3) Total Liabilities/Equity plus Minority Interest.

(4) Due to changes in the criteria, non-billable consumption (CNF in Spanish acronym) is not included in 2014 and 2015.

(5) Only ten months since its creation (March 1<sup>st</sup>, 2016).







Identification of the  
Company and Documents  
of Incorporation

# ■ Identification of the Company

Name	Enel Chile S.A.
Address	Santiago, Chile, although able to establish branches or agencies in other parts of the country or abroad
Company Type	Publicly held Limited Liability Stock Company
Taxpayer ID No	76,536,353-5
Address	76 Santa Rosa Ave., Santiago, Chile
Zip Code	833-0099 SANTIAGO
Telephone No	(56) 2353 4400 – (56-2) 2378 4400
P.O. Box	1557, Santiago
Securities Registration No	1,139
External Auditors	Ernst & Young
Subscribed and paid-in capital (M\$)	2,229,108,975
Website	<a href="http://www.enelchile.cl">www.enelchile.cl</a>
Email	<a href="mailto:comunicacion.enelchile@enel.com">comunicacion.enelchile@enel.com</a>
Investor Relations Telephone	(56-2) 2353 4682
Ticker in Chilean stock exchanges	ENELCHILE
Ticker in New York stock exchange	ENIC
Custodial Bank ADR's	Banco Santander Chile
Depository Bank ADR's	Citibank N.A.
Domestic Risk Rating Agency	Feller Rate and Fitch Chile Clasiificadora de Riesgos Limitada
International Risk Rating Agency	Standard & Poor's





# Documents of Incorporation

Enel Chile S.A., formerly named “Enersis Chile S.A.,” was created as a consequence of the corporate reorganization that began in April 2015. Enersis S.A. controlled the generation, transmission and distribution business in Chile and four other countries in the region (Argentina, Brazil, Colombia, and Peru).

The Extraordinary Shareholders’ Meeting of Enersis S.A. held on December 18<sup>th</sup>, 2015, approved the first phase of the reorganization plan named “the Division,” which created Enersis Chile S.A. as the only vehicle to control the Group’s generation and distribution assets in Chile. Enersis S.A became Enersis Americas S.A., the vehicle to control all assets of the businesses in other countries in the region. The Division was recorded in a public deed issued on January 8<sup>th</sup>, 2016 by the Santiago Notary Public, Mr. Ivan Torrealba Acevedo, and its extract was registered in the Commercial Register (Registro de Comercio del Conservador de Bienes Raíces y Comercio de Santiago) on pages 4,288 No 2,570 of the year 2016 and published in the Official Gazette on January 20<sup>th</sup>, 2016.

Later, on October 4<sup>th</sup>, 2016, the shareholders of Enersis Chile S.A. approved changing the name of the Company to “Enel Chile S.A.” This agreement was recorded in a public deed on October 18<sup>th</sup>, 2016 by the Santiago Notary Public, Mr. Ivan Torrealba Acevedo. Its extract was registered in the Commercial Register (Registro de Comercio del Conservador de Bienes Raíces y Comercio de Santiago) on pages 79,330 No 42,809 of the year 2016 and published in the Official Gazette on October 28<sup>th</sup>, 2016.



# Corporate Purpose

The corporate purpose of the company appears in the statutory modification approved by the Extraordinary Shareholders Meeting held on October 4<sup>th</sup>, 2016. It was recorded in a public deed on October 18<sup>th</sup>, 2016 granted by the Santiago Notary Public Mr. Iván Torrealba Acevedo, and its extract was registered on pages 79,330 N° 42,809 of the Commercial Register in 2016 and published in the Official Gazette on October 28<sup>th</sup>, 2016.

The Company's purpose is to perform the exploration, development, operation, generation, distribution, transmission, transformation and sales of energy in any of its forms and nature, directly or through intermediate companies, and also telecommunications activities and the provision of engineering consulting services within the country and abroad. It may also invest and manage its subsidiaries and associate companies, whether generators, transmitters, distributors or traders of electricity or whose business is any of the following: (i) energy, in any of its forms or nature, (ii) the supply of public utilities or whose main raw material is energy, (iii) telecommunications and information technology, and (iv) trading over internet. In complying with its main objects, the company will carry out the following functions:

- a) Promote, organize, build, modify, dissolve or liquidate companies of any nature which have similar corporate objects to its own.
- b) Propose investment, financing and business policies to subsidiary companies, as well as accounting criteria and systems that these should follow.
- c) Supervise subsidiary management





d) Provide subsidiary or associate companies with the necessary financing for their business development and provide management services; financial, technical, legal and auditing advice; and in general any service that appears necessary for their best performance.

In addition to its main purpose and always acting within limits established by the Investment and Financing Policy approved by the Shareholders Meeting, the Company may invest in:

First, the acquisition, operation, construction, rental, administration, intermediation, trading, and disposal of all kinds of movable and immovable assets, either directly or through subsidiaries or associate companies.

Second, all kinds of financial assets, including shares, bonds and debentures, commercial paper and in general all kinds of titles or securities and company contributions, either directly or through subsidiaries or affiliate companies.









Ownership and  
Control

# Ownership Structure

The total share capital of the Company was divided into 49,092,772,762 shares of a single series with no par value.

As of December 31<sup>st</sup>, 2016, all shares were subscribed and paid, and ownership distributed as follows:

Shareholders	Number of shares	Shareholding
Enel Latinoamérica S.A.	19,794,583,473	40.32%
Enel Iberoamérica S.R.L.	9,967,630,058	20.30%
Chilean Pension Funds	5,854,145,757	11.92%
Citibank N.A.(per SVS Letter 1,375)	3,818,628,500	7.78%
Foreign investment funds	3,339,410,693	6.80%
Banco de Chile on behalf of third parties	2,689,380,833	5.48%
Stockbrokers, insurance companies & mutual funds	2,517,961,498	5.13%
Others	1,111,031,950	2.26%
<b>Total Shares</b>	<b>49,092,772,762</b>	<b>100.00%</b>



# Identification of the Controlling Shareholder

As defined by Title XV of Law No 18,045, Enel Chile S.A. is controlled by Enel S.p.A., an Italian company, through the Spanish company Enel Iberoamérica S.R.L, with 60.62% of the shares issued by Enel Chile S.A.

On December 19<sup>th</sup>, 2016, Enel Latinoamérica, S.A. and Enel Iberoamérica, S.R.L. agreed to merge by the latter absorbing the first and therefore dissolving Enel Latinoamérica, S.A., and Enel Iberoamérica, S.R.L. becoming the surviving entity with all legal rights, obligations, and third party relationships. On December 20<sup>th</sup>, 2016 the agreement was formalized and recorded in a public deed granted by the Madrid Notary, Mr. Andrés Domínguez Nafría. The merger was registered in the Commercial Register of Madrid and the Company's Shareholder Registry on January 13<sup>th</sup>, 2017, although the registration was retroactively effective as of the date of its presentation, which took place on December 21<sup>st</sup>, 2016.

Enel S.p.A controls 100% of Enel Iberoamérica.



# Shareholders of Enel S.p.A. as of December 31<sup>st</sup>, 2016

Ministero dell'Economia e delle Finanze de Italia	23.6%
Institutional Investors	54.0%
Retail Shareholders	22.4%
<b>Total</b>	<b>100.0%</b>

Source: <https://www.enel.com/en-gb/investors/shareholders>

The shareholders of the controlling entity do not have a shareholders agreement.

## The Company's Twelve Major Shareholders

As of December 31<sup>st</sup>, 2016, Enel Chile S.A. was owned by 6,639 shareholders. The twelve shareholders with the largest stake are the following::

Name	Taxpayer ID	Number of Shares	Shareholding
Enel Latinoamérica S.A.	59,072,610-9	19,794,583,473	40.32 %
Enel Iberoamérica S.R.L.	59,206,250-K	9,967,630,058	20.30 %
Citibank N.A. per SVS Letter 1,375	59,135,290-3	3,818,628,500	7.78 %
Banco de Chile on behalf of non-resident third parties	97,004,000-5	2,689,380,833	5.48 %
Banco Itaú on behalf of Foreign Investors	97,023,000-9	1,953,577,727	3.98 %
Banco Santander on behalf of Foreign Investors	97,036,000-K	1,298,404,727	2.64 %
AFP Provida S.A. Pension Fund C	76,265,736-8	1,013,706,040	2.06 %
AFP Hábitat S A Pension Fund C	98,000,100-8	730,932,853	1.49 %
AFP Capital S A Pension Fund C	98,000,000-1	653,921,137	1.33 %
AFP Cuprum S A Pension Fund C	76,240,079-0	587,712,159	1.20 %
AFP Provida S.A. Pension Fund B	76,265,736-8	346,537,072	0.71 %
AFP Cuprum S A Pension Fund A	76,240,079-0	324,269,504	0.66 %
Subtotal 12 shareholders		43,179,284,083	87.95 %
Other 6,627 shareholders		5,913,488,679	12.05 %
<b>TOTAL 6,639 SHAREHOLDERS</b>		<b>49,092,772,762</b>	<b>100.00%</b>

## Most Important Changes in Ownership Share

There were no changes in Enel Chile's ownership during 2016 because the Company did not exist on December 31<sup>st</sup>, 2015.



# Stock Market Transactions among Related Parties during 2016

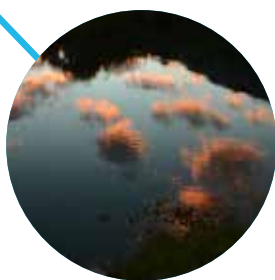
There were no transactions among related parties during 2016.

## Summary of Comments and Proposals by the Directors Committee and Shareholders

Enel Chile received no comments regarding the progress of corporate businesses between March 1<sup>st</sup> and December 31<sup>st</sup>, 2016, from the Directors' Committee or shareholders that own or represent 10% or more of the shares issued with voting rights, in accordance with the provisions of Article 74 of Law No 18,046 and Articles 136 of the Rules and Regulations to the Chilean Companies Law.







■ Management



## Board of Directors

### 1. CHAIRMAN

#### **Herman Chadwick Piñera**

Lawyer

Pontificia Universidad Católica de Chile

Taxpayer ID: 4.975.992-4

Since 06.30.2015

### 2. VICE CHAIRMAN

#### **Giulio Fazio**

Lawyer

Universidad de los Estudios de Palermo

Passport: YA 4656507

Since 04.28.2016

### 3. DIRECTOR

#### **Salvatore Bernabei**

Industrial Engineer

Università degli Studi di Roma "Tor Vergata"

Master's Degree in Business Administration

Politécnica di Milano

Taxpayer ID: 24.220.743-2

Since 04.28.2016

### 4. DIRECTOR

#### **Pablo Cabrera Gaete**

Lawyer and Diplomat

Pontificia Universidad Católica de Chile and Academia

Diplomática Andrés Bello

Taxpayer ID: 4.774.797-K

Since 04.28.2016

### 5. DIRECTOR

#### **Vincenzo Ranieri**

Bachelor in Business Administration

Universidad de LUISS in Italy

Passport: YA 7616919

Since 04.28.2016

### 6. DIRECTOR

#### **Gerardo Jofré Miranda**

Commercial Engineer

Pontificia Universidad Católica de Chile

Taxpayer ID: 5.672.444-3

Since 04.28.2016

### 7. DIRECTOR

#### **Fernán Gazmuri Plaza**

Commercial Engineer

Pontificia Universidad Católica de Chile

Taxpayer ID: 4.461.192-9

Since 04.28.2016



# Board of Directors' Compensation and Directors' Committee

Under Article 33 of Law No 18,046 the Chilean Companies Act, the Ordinary Shareholders' Meeting held on April 28<sup>th</sup>, 2016 approved the compensation of the Board of Directors and Directors' Committee for 2016.

The compensation of the Board of Directors consists of a variable annual amount equal to 0.001 thousandths of the annual net profit. Any advance payment is equal to one monthly compensation. A part of such monthly compensation is unconditional, and another part is conditional. Advances are deducted from the yearly variable compensation.

The compensation of the Directors' Committee consists of a variable amount equal to 0.11765 thousandths of the annual net profit. Any advance payment is equal to one monthly compensation. A part of such monthly compensation is unconditional, and another part is conditional. Advances are deducted from the yearly variable compensation.

The total compensation expense during 2016 amounted to \$441,917,998 and it is detailed in the following table. The Board of Directors did not have additional expenses for consulting services.



# 2016

Figures in \$							
Board Member Name	Position	Fixed Compensation	Ordinary and Extraordinary	Committee's Fixed Compensation	Directors Committee Ordinary and Extraordinary Sessions	Variable Compensation	TOTAL 2016
Herman Chadwick Piñera	Chairman	84,744,306	44,833,393	-	-	-	129,577,699
Giulio Fazio <sup>(1)</sup>	Vice Chairman	-	-	-	-	-	-
Salvatore Bernabei <sup>(1)</sup>	Director	-	-	-	-	-	-
Vincenzo Ranieri <sup>(1)</sup>	Director	-	-	-	-	-	-
Pablo Cabrera Gaete	Director	51,643,865	29,219,885	17,214,472	8,035,211	-	106,113,433
Juan Gerardo Jofré Miranda	Director	51,643,865	29,219,885	17,214,472	8,035,211	-	106,113,433
Fernán Gazmuri Plaza	Director	51,643,865	29,219,885	17,214,472	8,035,211	-	106,113,433
<b>Total</b>		<b>239,675,900</b>	<b>132,493,048</b>	<b>51,643,417</b>	<b>24,105,633</b>		<b>441,917,998</b>

(1) The Director waived his compensation for being an executive of the Enel SpA Group

## Incentive Plan

Director's compensation for 2016 did not include an incentive plan.

## Board of Directors' consulting expenses

The Board of Directors did not spend on consulting services in 2016.

# Social responsibility and sustainable development

## Diversity in the Board of Directors

Number of people by gender:

Female	0
Male	7
<b>Total</b>	<b>7</b>

Number of people by nationality:

Chilean	4
Italian	3
<b>Total</b>	<b>7</b>

Number of people by age group:

Between 41 and 50 years	3
Between 51 and 60 years	0
Between 61 and 70 years	2
More than 70	2
<b>Total</b>	<b>7</b>

Number of people by years of service:

Less than 3 years	6
More than 12 years	1
<b>Total</b>	<b>7</b>

# Ownership in Enel Chile S.A.

As of December 31<sup>st</sup>, 2016, according to the shareholder's registry, none of the Directors in office had an ownership share of the Company.





## Directors' Committee

Enel Chile S.A., formerly named "Enersis Chile S.A.," was created as a consequence of the Division of Enersis S.A. approved by the Extraordinary Board Meeting of the company held on December 18<sup>th</sup>, 2015. On February 29<sup>th</sup>, 2016, the Board of Directors appointed the members to the Company's first Directors' Committee. The Directors appointed to compose the Directors' Committee were Pablo Cabrera Gaete, Gerardo Jofré Miranda, and Fernán Gazmuri Plaza. On February 29<sup>th</sup>, 2016, the Board of Directors, after the Ordinary Shareholders Meeting held on April 28<sup>th</sup>, 2016 that appointed the members to the Board of Directors, designated the same gentlemen Cabrera Gaete, Jofré Miranda and Gazmuri Plaza as members to the Directors' Committee. Mr. Fernán Gazmuri Plaza was appointed Chairman of the Directors' Committee during the ordinary session of the Directors' Committee held on February 29<sup>th</sup>, 2016 and Mr. Domingo Valdés Prieto was appointed Secretary to the Directors' Committee during the session of the Directors' Committee held on April 29<sup>th</sup>, 2016.

## Directors' Committee Annual Report

The Directors' Committee of the Company held fourteen sessions during 2017, fully complying with Article 50 bis of the Chilean Companies Act Law No 18,046 and additional applicable regulation.

During 2016, the Directors' Committee addressed the matters that are summarized below:





### 1.- PRESENTATION OF DIRECTORS' COMMITTEE AND ETHICS CHANNEL POLICIES:

On February 29<sup>th</sup>, 2016, the Directors' Committee, unanimously agreed (i) to take note of the functions of the Directors' Committee determined by the Board of Directors during the session held that same day and assume responsibility for such functions immediately (ii) to approve policies regarding employment of former members of the external auditing firm according to the terms pointed out by the Chairman of the Directors' Committee and (iii) to approve the Ethics Channel Rules and its immediate implementation.

**2.- DIRECTORS' COMMITTEE BUDGET :** On February 29<sup>th</sup>, 2016, the Directors' Committee, unanimously agreed to approve the Directors' Committee 2016 Budget amounting to 10,000 Unidades de Fomento (Chilean inflation-indexed, Chilean peso-denominated monetary unit) for the Committee and its consultants' expenses and operations. The members of the Directors' Committee also unanimously decided to submit this 2016 Directors' Committee Budget proposal to the approval of the Board of Directors so that, if approved, they submit it to the Ordinary Shareholders Meeting for final approval.



### 3.- EXTRAORDINARY SESSION SUMMON PROCEDURE

During the ordinary session held on February 29<sup>th</sup>, 2016, the Directors' Committee unanimously agreed that the Directors' Committee extraordinary session summon be carried out by an electronic mail sent by the Chairman or the Secretary of the Directors' Committee or their delegates and a telephone call to each committee member. This summon must be performed at least 24 hours in advance.

**4.- ELECTRONIC DELIVERY:** During the ordinary session held on February 29<sup>th</sup>, 2016, the Directors' Committee unanimously agreed to authorize the electronic delivery project to summon the members of the Committee and that all measures be taken to implement the project correctly.

**5.- ELECTRONIC PARTICIPATION IN DIRECTORS' COMMITTEE SESSIONS:** During the ordinary session held on February 29<sup>th</sup>, 2016, the Directors' Committee unanimously agreed to approve communicating electronically with Committee members that are not physically present in the meeting room. Members may participate in the Directors' Committee session via Conference call or video conference as long as the electronic communication allows all the members, those physically present and those not physically present, to be simultaneously and permanently in communication during the session.

### 6. RATIFICATION OF DIRECTORS' COMMITTEE LEGAL

**ACTIONS:** During the ordinary session held on March 22<sup>nd</sup>, 2016, the Directors' Committee unanimously agreed to:

6.1. Take note of the Clarification Deed signed by Enersis Américas S.A., currently Enel Américas S.A, on March 21<sup>st</sup>, 2016 at the Santiago Notary Public Mr. Roberto Antonio Cifuentes Allel. The deed refers to the division of Enersis S.A., today Enel Américas S.A., formerly named Enersis Américas S.A. as the divided company and the legal incorporation of Enersis Chile S.A., today Enel Chile S.A., as the new company created from the division as of March 1<sup>st</sup>, 2016.

6.2 Take the above into consideration, and take note that during the formation stage of the Company that took place before such date, the Directors' Committee reached several agreements to advance in making the new company operational. These agreements are identified in the minute of the Directors' Committee ordinary session number 1/2016 held on February 29<sup>th</sup>, 2016. The Committee agrees that the minute was completely reproduced in the present session and is therefore included in the minute of the present session. Furthermore, the Committee states that the following agreements are approved:

- a. Appointment of the Chairman and Secretary of the Directors' Committee. Agreement No 1/2016;
- b. Presentation of the Directors' Committee and the Ethics Channel Policies. Agreement No 2/2016. This agreement resolved to: (i) take note of the responsibilities delegated by the Board of Directors; (ii) approve the policies regarding employment of former members of the external auditing

firm according to the terms pointed out by the Chairman of the Directors' Committee and (iii) approve the Ethics Channel Rules and its immediate implementation;

- c. Directors' Committee Budget. Agreement No 3/2016;
- d. Financial Statements of the Company to be submitted to the Superintendence of Securities and Insurance. Agreement No 4/2016;
- e. Financial Statements (20-F) of the Company to be submitted to the SEC and the NYSE. Agreement No 5/2016;
- f. Evaluation of the services to be provided by External Auditor. Agreement No 6/2016;
- g. Proposal of Private Risk Rating Agencies. Agreement No 7/2016;
- h. Service contracts between the Company and Enersis Americas, Enel Americas S.A. today. Agreement No 8/2016;
- i. Service contracts to be provided by Enersis Americas S.A., Endesa Americas S.A., and Chilectra Americas S.A. The last two companies have merged with Enel Americas S.A. Agreement No 9/2016;
- j. Extraordinary sessions summon procedure. Agreement No 11/2016;
- k. 2016 Ordinary sessions' calendar. Agreement No 12/2016;
- l. Electronic delivery. Agreement No 13/2016;
- m. Participation by using electronic means of communication. Agreement No 14/2016.



6.3 As stated previously, certain actions performed by the Company during its incorporation stage are all known by the Directors' Committee and are efficient regarding improving the operations and development of the Company's activities. The main objective of these actions has been the organization of the Company and also comply with the agreements adopted by the Extraordinary Shareholders Agreement of Enersis S.A. held on December 18<sup>th</sup>, 2015, in which the Division was agreed.

6.4 Consider convenient for the Company and its Shareholders that each action carried out its effects be fully undertaken by the company.

6.5 Approve, ratify, confirm, convert, validate, and undertake every action previously referred to without exception, having reproduced every agreement, one by one, in the same terms recorded in its respective minute, including the actions carried out by Company delegates.



## 7. CALENDAR OF THE DIRECTORS' COMMITTEE'S MAIN ACTIVITIES IN 2016:

In the session held on April 29<sup>th</sup>, 2016, the Directors' Committee, unanimously, agreed to take note of the presentation covering the main subjects the Committee should examine and the time frame within 2016 to perform the examinations.

**8. FINANCIAL STATEMENTS:** The financial statements of the Company and its shares, to be submitted to the SVS, were analyzed during the session held February 29<sup>th</sup>, 2016. The Combined Financial Statements as of December 31<sup>st</sup>, 2015, including relevant supplementary information, and the respective audit report performed by the firm Ernst & Young were unanimously approved. The Directors' Committee also recommended that the Board of Directors approve such financial statements.

- During the same session held on February 29<sup>th</sup>, 2016, the Company's financial statements to be submitted to the SEC and the NYSE as the "Registration Statement" were analyzed. The Directors' Committee unanimously agreed to declare the Financial Statements prepared according to the NIIF standards included in the Registration Statement as examined and therefore eligible to be submitted to the Security Exchange Commission of the United States of America (SEC) to comply with the rules and regulations of such Authority related to the securities issued in the United States.

- In the extraordinary session held on May 6<sup>th</sup>, 2016, the Directors' Committee declared having reviewed the Consolidated Financial Statements of the Company as of March 31<sup>st</sup>, 2016, its Notes, Income Statement and Significant Events.

- In the ordinary session held on July 27<sup>th</sup>, 2016, the Directors' Committee declared having examined the Consolidated Financial Statements of the Company as of June 30<sup>th</sup>, 2016, its Notes, Management's Performance Analysis, Income Statement and Significant Events and also the external auditor's opinion dated July 27<sup>th</sup>, 2016, and signed by Mr. Emiliano Ramos Colmenar, partner of Ernst & Young, which states that the financial statements of the Company are free from material misstatement.



- In the extraordinary session held November 3<sup>rd</sup>, 2016, the Directors' Committee declared having examined the Consolidated Financial Statements of the Company as of September 30<sup>th</sup>, 2016, its Notes, Income Statement and Significant Events and agreed to recommend that they be approved by the Board of Directors.

- In every case, the agreements were adopted unanimously, by all members of the Directors' Committee.

#### **9. FORM 20-F FILING TO THE SEC IN THE UNITED STATES**

**OD AMERICA:** In the ordinary session held on April 29<sup>th</sup>, 2016, the Directors' Committee declared having reviewed the Form 20-F and the Consolidated Financial Statements of the Company included in the Form, to be submitted to the SEC to comply with the rules and regulations of such Authority related to the securities issued in the United States.

#### **10. EXAMINATION OF SERVICES TO BE PROVIDED BY**

**EXTERNAL AUDITORS:** The services to be rendered by the external auditors, different from the external audit and non-recurring audit services, were analyzed during ordinary sessions held on February 29<sup>th</sup>, March 22<sup>nd</sup>, August 30<sup>th</sup>, September 27<sup>th</sup>, and December 16<sup>th</sup>, all in 2016, and during the extraordinary session held May 6<sup>th</sup>, 2016. The Committee agreed to declare that the services do not compromise the auditing company's technical proficiency nor independence as required by Section 202 of the Sarbanes-Oxley Act and by Article 242 last paragraph of Law No 18,045, the Securities Market Law and by the Directors' Committee Rules.

These agreements were adopted unanimously.

#### **11. EXAMINATION OF INTERCOMPANY CONTRACTS**

- During the session held on February 29<sup>th</sup>, 2016, the Directors' Committee agreed to declare having examined the service contract between Enersis Americas S.A., Enel Americas S.A. today, and Enersis Chile S.A., Enel Chile S.A. today, in which Enersis Americas S.A. received the service and Enersis Chile S.A. rendered the service. The Committee also declares that the transaction contributed to the best interest of the Company and that prices, terms, and conditions of the contract were at arm's length at the time of its approval according to the report prepared by PricewaterhouseCoopers, and presented during the session. Endesa Americas S.A. and Chilectra Americas S.A. at the time, currently merged into Enel Americas S.A., also received the contracted service.

- During the same ordinary session held on February 29<sup>th</sup>, 2016, the Directors' Committee declared having examined the service contract between Enersis Americas S.A., Enel Americas S.A. today, and Enersis Chile S.A., Enel Chile S.A. today, in which Enersis Americas S.A. rendered the service and Enersis Chile S.A. received the service. The Committee also declares that the transaction contributed to the best interest of the Company and that prices, terms, and conditions of the contract were at arm's length at the time of its approval according to the report prepared by PricewaterhouseCoopers, and presented during the session.

- During the session held on September 27<sup>th</sup>, 2016, the Directors' Committee declared having examined the service contract between Enersis Chile S.A., Enel Chile S.A. today, and Enel Green Power Chile Limitada, in which Enel Green Power Chile Limitada received the service. The



Committee also declares that the transaction contributed to the best interest of Enersis Chile S.A., Enel Chile today, and that prices, terms, and conditions of the contract were at arm's length at the time of its approval according to the report prepared by PricewaterhouseCoopers, and presented during the session.

- During the session held on October 27<sup>th</sup>, 2016, the Directors' Committee declared having examined the service contract between Enersis Chile S.A., Enel Chile S.A. today, and its subsidiary Endesa Chile S.A., Enel Generación Chile S.A. today, in which Endesa Chile S.A. received the service. The Committee also declares that the transaction contributed to the best interest of Enersis Chile S.A., Enel Chile today, and that prices, terms, and conditions of the contract were at arm's length at the time of its approval.
- During the session held on March 22<sup>nd</sup>, 2016, the Directors' Committee unanimously agreed to take note of the Chief Financial Officer's, Mr. Raffaele Grandi presentation on the intercompany contracts costs informed in the previous session.

- During the session held on June 30<sup>th</sup>, 2016, the Directors' Committee unanimously agreed to request the Chief Financial Officer to hire the External Auditors to review the transactions among related parties, lawsuit provisions and the status of derivatives every six months. They also agreed to perform a historical analysis of related party transactions for the Committee to form an opinion on the nature, amount, and parties involved in such transactions.

## 12. PROPOSED RISK RATING AGENCIES

- During the session held on February 29<sup>th</sup>, 2016, the Directors' Committee unanimously agreed to recommend to the Board of Directors to propose Feller Rate Clasificadora de Riesgo Limitada and Fitch Chile Clasificadora de Riesgo Limitada to the Shareholders Meeting as the local risk rating agencies and Fitch Ratings, Moody's Investors Service and Standard & Poors International Rating Services as the international risk rating agencies.

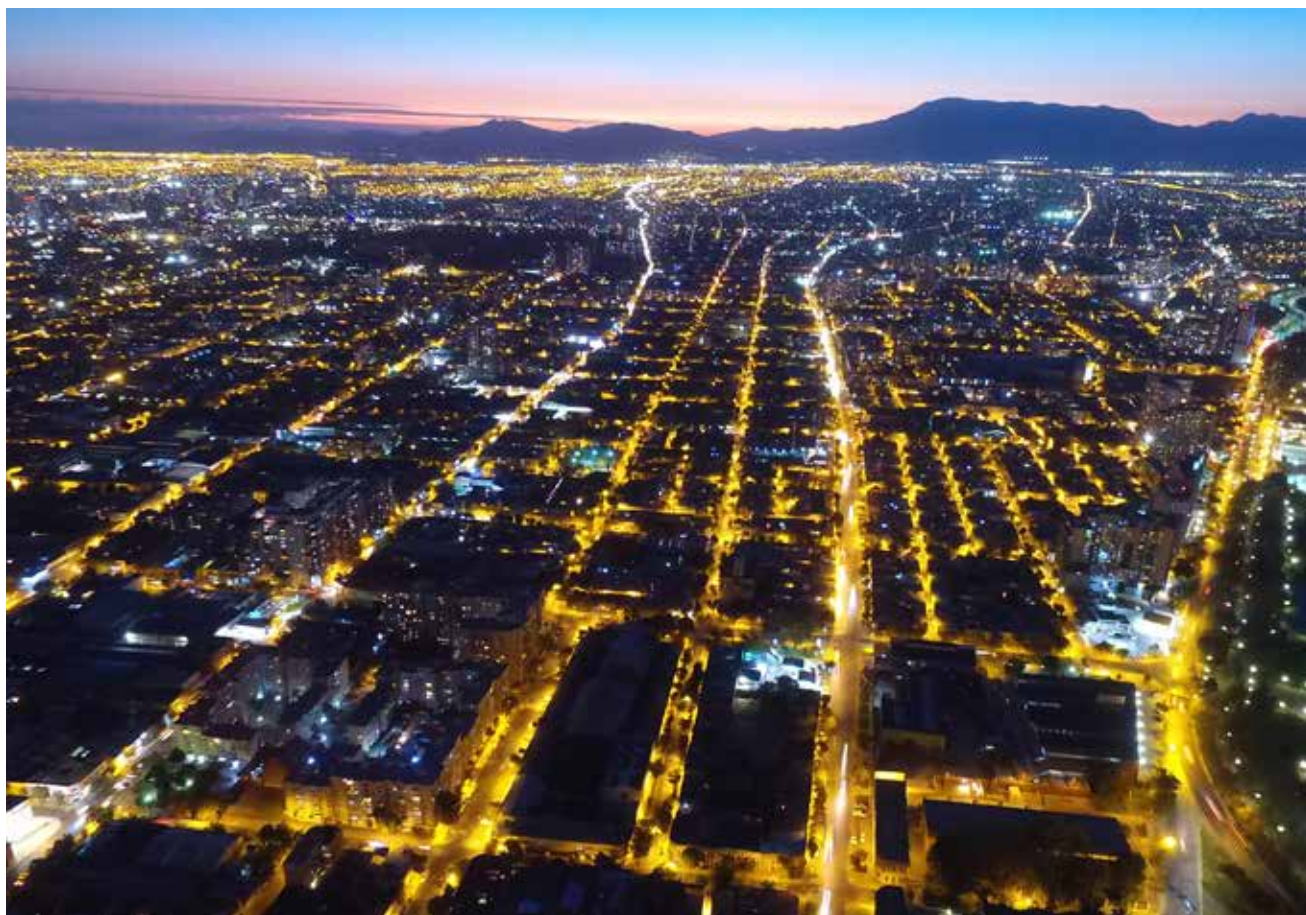


### 13. PROPOSED EXTERNAL AUDITING FIRMS

During the session held on March 22<sup>nd</sup>, 2016, the Directors' Committee unanimously agreed to propose to the Board of Directors to propose to the Ordinary Shareholders Meeting the following order of precedence in appointing the external auditing firm for Enersis Chile S.A., Enel Chile S.A. today, for 2016. First E&Y, second PKF, third RSM and fourth KPMG. The fundamentals considered relevant to this proposal are that E&Y (i) presented the most competitive offer, based on the technical and economic evaluation of the offers received; (ii) has high-quality resources and extensive experience in the electricity sector; (iii) is one of the four most important auditing firms both domestically and internationally and (iv) is the auditing firm with greatest synergies with Enersis Chile S.A., Enel Chile S.A. today, because the parent and controlling entities of the Company also have E&Y as their main auditing firm.

### 14. APPROVAL OF EXTERNAL AUDITING CONTRACTS

- During the session held on March 22<sup>nd</sup>, 2016, the Directors' Committee unanimously agreed to declare the contract or letter of intent between Enersis Chile S.A., Enel Chile S.A. today, and external auditors Ernst & Young to have been examined and approved. Ernst & Young has been contracted to perform auditing reports regarding the new Enersis Chile S.A., Enel Chile S.A. today, as of December 31<sup>st</sup>, 2015. At that time, the Financial Statements of the Company and its subsidiaries included the assets and liabilities of Chilean operations of Enersis S.A. as a consequence of the Division of Enersis S.A.
- During the session held on May 30<sup>th</sup>, 2016, the Directors' Committee unanimously agreed to declare the contract or letter of intent between Enersis Chile S.A., Enel Chile S.A. today, and the external auditors Ernst & Young as External Auditors appointed by the Ordinary Shareholder Meeting held April 28<sup>th</sup>, 2016, to have been examined and approved.





#### 15. ANALYSIS OF ETHICAL CHANNEL COMPLAINTS

- During the extraordinary session held on July 29<sup>th</sup>, 2016, the Directors' Committee gave its opinion on each of the complaints received, offering guidelines as to how to proceed with each complaint and confirming what had been already resolved by the Committee. In this regard, the Chairman of the Directors' Committee is to summon an extraordinary session if he considers it to be necessary to resolve a certain complaint.

#### 16. PRESENTATION OF INSURANCE POLICIES FOR DIRECTORS AND SENIOR EXECUTIVE

- During the ordinary session held on March 22<sup>nd</sup>, 2016, the Directors' Committee noted the presentation on the insurance policies for the Company's directors and senior executives.

#### 17. INTERNAL CONTROL SELF-EVALUATION

- During the session held on July 29<sup>th</sup>, 2016, the Directors' Committee unanimously agreed to declare having examined the Internal Control self-evaluation methods and procedures and the Internal Control Independent Monitoring Assessment.

#### 18. RISKS

During the ordinary session held on March 22<sup>nd</sup>, 2016, the Directors' Committee unanimously agreed to take note of the Chief Financial Officer's, Mr. Raffaele Grandi presentation on the Company's methodology to manage asset impairment risk. They also agreed that the Chief Financial Officer is to inform the Directors' Committee on the methodology applied in every period's closing and that in a future session he is to deepen the explanation of the financial methodology.

- During the session held on May 30<sup>th</sup>, 2016, the Directors' Committee unanimously agreed to declare the Company's Risk Matrix as examined from the business and internal auditing perspective.

- During the session held on June 30<sup>th</sup>, 2016, the Directors' Committee unanimously took note of the presentation on the Group's policies regarding (i) risk management; (ii) financial derivatives; and (iii) expense capitalization, in Chile.



- During the session held on August 30<sup>th</sup>, 2016, the Directors' Committee unanimously agreed to approve the Material Risk Analysis Schedule presented by the Chief Financial Officer adding the subjects proposed by the Directors. The Directors' Committee also agreed to declare having analyzed the risks related to a potential change to the Agreement, which would be discussed again as it progresses, as requested by the Chief Executive Officer.

- During the session held on September 27<sup>th</sup>, 2016, the Directors' Committee agreed to declare having analyzed risks related to the Company's Purchasing Process.

- During the session held on October 27<sup>th</sup>, 2016, the Directors' Committee agreed to declare having analyzed the risk related to a potential Natural Disaster that could exceed the Insurance Coverage Limit, which would be discussed again as it progresses, as requested by the Chief Executive Officer. This matter will be included in the calendar of material risks to be analyzed by the Directors' Committee during the following months.

## 19. ANALYSIS OF EMPLOYEES', MANAGERS' AND SENIOR EXECUTIVES' COMPENSATION PLAN

- During the session held on August 30<sup>th</sup>, 2016, the Directors' Committee unanimously declared having analyzed the compensation system and plans for employees, managers, and senior executives of the Company.

## 20. VARIOUS OTHER MATTERS

- During the session held on June 30<sup>th</sup>, 2016, the Director, Mr. Gerardo Jofré Miranda informed that he had recently received the interests' statement that is requested from Directors. He requested that the Compliance Department be proactive by periodically sending the Directors and senior managers their respective interests' statement as a reminder to update it if necessary or to confirm amounts. The Chairman of the Directors' Committee Mr. Fernán Gazmuri Plaza agreed with the idea, indicating that sending the statement to the Directors once a year would be enough to remind them.





- During the session held July 27<sup>th</sup>, 2016, the Director, Mr. Gerardo Jofré Miranda expressed the need to analyze how the Committee dealt with Transactions among Related Parties. He requested that Mr. Domingo Valdés Prieto, General Counsel of the Company, make a presentation on the respective legislation. The Committee resolved to continue analyzing the subject to make a proposal to the Board of Directors.

- During the session held September 27<sup>th</sup>, 2016, the Director, Mr. Gerardo Jofré Miranda stated that the days of accounts payables to small and medium-sized companies (Pymes in its Spanish acronym) is a sustainability matter, and from a social perspective, it is very sensitive because it tends to absorb the Pymes' working capital by extending the payment date. The Chairman of the Committee expressed sharing Mr. Gerardo Jofré Miranda's concern considering that extending the payment date contributes to the insolvency and bankruptcy of Pymes making their services more expensive and difficult to manage. Therefore Mr. Fernán Gazmuri proposed analyzing what the Company is doing about the matter and particularly if it has established a policy in this regard. He proposed that the Board of Directors, as the competent body, examine the subject.

The members of the Committee then expressed the convenience to proceed to analyze the Transactions among Related Parties so as to propose to the Board of Directors the evaluation and adoption of a framework to govern such transactions.

- During the session held October 27<sup>th</sup>, 2016, the Director, Mr. Gerardo Jofré Miranda referred to the convenience of deeply looking into the renewal of insurance considering that Cautiva is a reinsurance company of the insurance firm to be contracted by the Company. Cautiva is owned by the controlling shareholder of the Company, and therefore Mr. Jofré considers that the Directors' Committee should analyze the insurance being contracted because in his opinion it is a Related Party Transaction. Mr. Gerardo Jofré expressed the matter to be a complex one and required extensive analysis, lacking the time for such analysis. The Chief Financial Officer stated that the contract was not presented by Cautiva but by Mapfre Chile, that reinsured with Mapfre España and Mapfre España then reinsured with several other companies, including Cautiva. Mr. Gerardo Jofré stated that he did not agree with such reasoning.

Mr. Gerardo Jofré also expressed his interest in analyzing the General Norm N° 385 issued by the Superintendence of Securities and Insurance in detail make a proposal on the matter to the Company's Board of Directors. The Director Mr. Pablo Cabrera stated that it was very important that the proposal be presented by the Chief Executive Officer, who has had the time and necessary background information to make and an adequate proposal to the Board of Directors.



# Enel Chile S.A. Directors' Committee Expenses

The Directors' Committee did not spend its operational expense budget approved by the Ordinary Shareholders Meeting held April 28<sup>th</sup>, 2016.

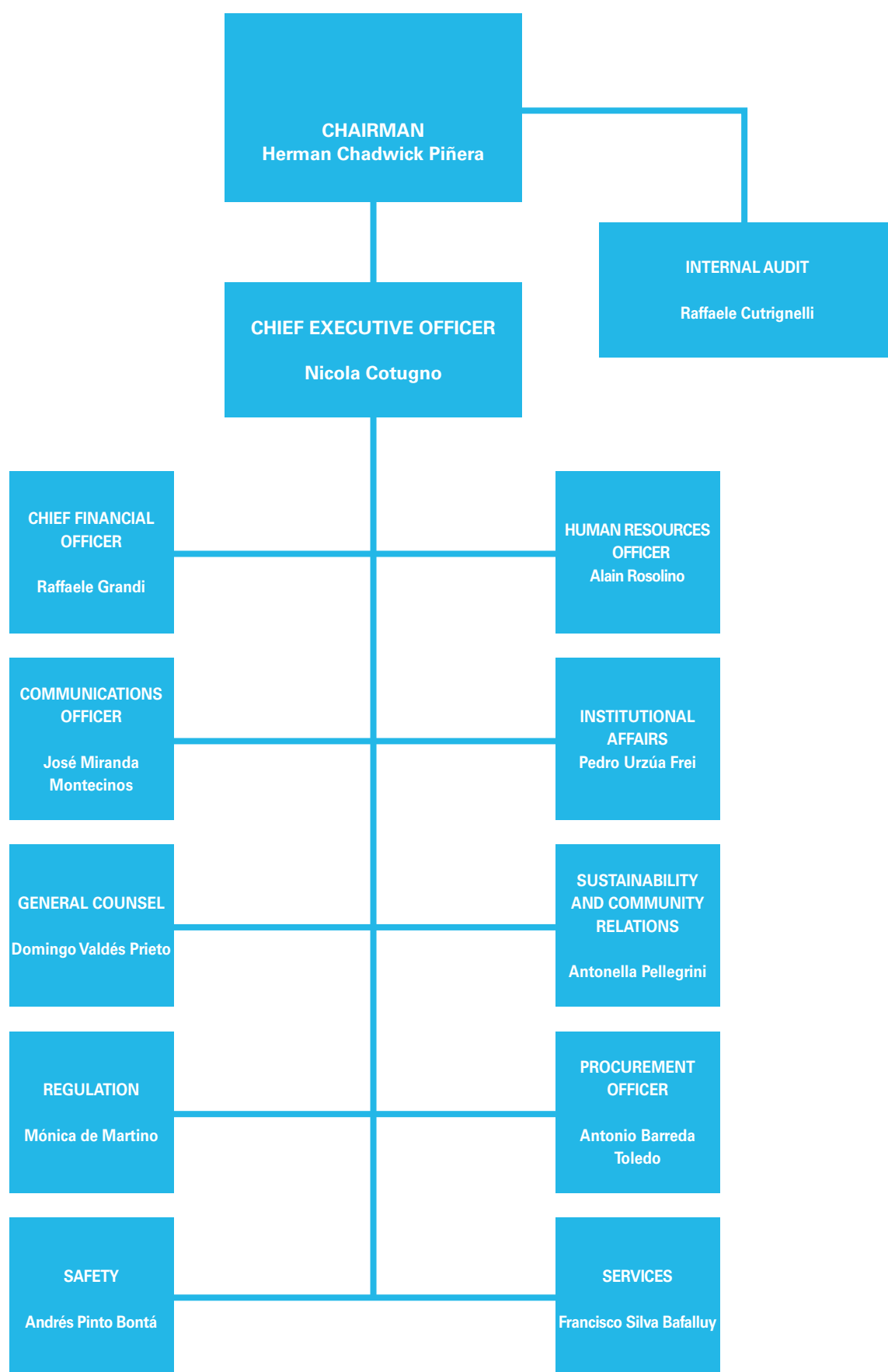
## In 2016, the Directors' Committee analyzed the following related party transactions (OPR)

1. On February 29<sup>th</sup>, 2016, the Directors' Committee agreed to declare having examined the service contract between Enersis Americas S.A., Enel Americas S.A. today, and Enersis Chile S.A., Enel Chile S.A. today, in which Enersis Americas S.A. received the service and Enersis Chile S.A. rendered the service. The Committee also declares that the transaction contributed to the best interest of the Company and that prices, terms, and conditions of the contract were at arm's length at the time of its approval according to the report prepared by PricewaterhouseCoopers, and presented during the session. Endesa Americas S.A. and Chilectra Americas S.A. at the time, currently merged into Enel Americas S.A., also received the contracted service.
2. During the same session, the Directors' Committee declared having examined the service contract between Enersis Americas S.A., Enel Americas S.A. today, and Enersis Chile S.A., Enel Chile S.A. today, in which Enersis Americas S.A. rendered the service and Enersis Chile S.A. received the service. The Committee also declares that the transaction contributed to the best interest of the Company and that prices, terms, and conditions of the contract were at arm's length at the time of its approval.
3. During the session held on September 27<sup>th</sup>, 2016, the Directors' Committee declared having examined the service contract between Enersis Chile S.A., Enel Chile S.A. today, and Enel Green Power Chile Limitada, in which Enel Green Power Chile Limitada received the service. The Committee also declares that the transaction contributed

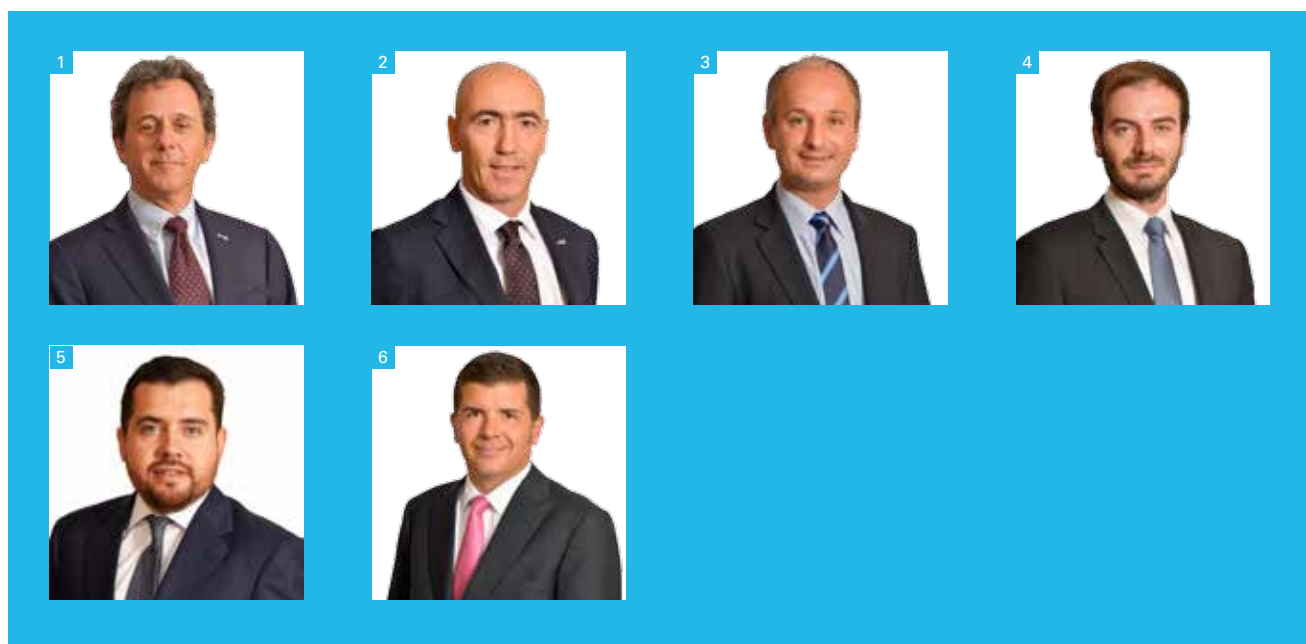
to the best interest of Enersis Chile S.A., Enel Chile today, and that prices, terms, and conditions of the contract were at arm's length at the time of its approval.

4. During the session held on October 27<sup>th</sup>, 2016, the Directors' Committee declared having examined the service contract between Enersis Chile S.A., Enel Chile S.A. today, and its subsidiary Endesa Chile S.A., Enel Generación Chile S.A. today, in which Endesa Chile S.A. received the service. The Committee also declares that the transaction contributed to the best interest of Enersis Chile S.A., Enel Chile today and that prices, terms, and conditions of the contract were at arm's length at the time of its approval.
5. During the session held on November 25<sup>th</sup>, 2016, the Directors' Committee declared having examined the new service contract that includes in one sole contract all the operational services rendered by Enel Chile S.A. to each of its subsidiaries, that is, Servicios Informáticos e Inmobiliarios Ltda. (SIEI), Enel Generación Chile S.A., formerly Endesa Chile S.A., Enel Distribución Chile S.A., formerly Chilectra S.A. and the subsidiaries of these last two companies. The Committee also declares that the transaction contributed to the best interest of Enersis Chile S.A., Enel Chile today, and that prices, terms, and conditions of the contract were at arm's length at the time of its approval, based on the report prepared by PricewaterhouseCoopers, that performed the market analysis of the existing services in addition to reviewing the terms and conditions of the contracts.

# Organizational Structure



# Senior Executives



## 1. CHIEF EXECUTIVE OFFICER

### Nicola Cotugno\*

Mechanical Engineer  
Universidad La Sapienza de Roma  
Taxpayer ID: 25,476,277-6  
Since 08.16.2016

## 2. CHIEF FINANCIAL OFFICER

### Raffaele Grandi\*

Economist  
Universidad de Génova (Italy)  
Taxpayer ID 24,950,967-1  
Since 05.06.2016

## 3. HUMAN RESOURCE OFFICER

### Alain Rosolino\*

Business Management Degree  
Universidad LUIS de Roma  
Taxpayer ID: 24,166,243-8  
Since 10.01.2016

## 4. INTERNAL AUDIT OFFICER

### Raffaele Cutrignelli\*

International Business Degree  
Nottingham Trent University (United Kingdom).  
Master in Auditing and Internal Controls  
Universidad de Pisa (Italy)  
Diploma in Strategy, Innovation, Management and Leadership  
Massachusetts Institute of Technology (MIT).  
Taxpayer ID: 25,553,336-3  
Since 10.01.2016

## 5. COMMUNICATIONS OFFICER

### José Miranda Montecinos\*

Audiovisual Communicator with a degree from DUOC UC  
Management Diploma, Universidad de Chile  
Taxpayer ID: 15,307,846-7  
Since 02.29.2016

## 6. INSTITUTIONAL AFFAIRS OFFICER

### Pedro Urzúa Frei\*

Journalist  
Universidad de Artes y Ciencias de la Comunicación  
Taxpayer ID: 11,625,161-2  
Since 02.29.2016

(\*) Corresponds to senior executive of Enel Chile.



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#### 7. GENERAL COUNSEL

##### **Domingo Valdés Prieto\***

Lawyer

Universidad de Chile

Master of Law

University of Chicago

Taxpayer ID: 6.973.465-0

Since 02.29.2016

#### 8. SUSTAINABILITY AND COMMUNITY RELATIONS

##### **Antonella Pellegrini**

Marketing and Communications Degree

European Design Institute

Roma – Italy

Taxpayer ID: 23,819,804-6

#### 9. REGULATION

##### **Mónica de Martino**

Political Science Degree

Universidad Luis LUISS Guido Carli, Roma

Executive MBA Columbia Business School,

NY. and London Business School, London

Taxpayer ID: 25,629,782-5

#### 10. PROCUREMENT OFFICER

##### **Antonio Barreda Toledo\***

Electrical Engineer

Universidad de Santiago de Chile

Diploma in Business Administration (ESAE)

P. Universidad Católica de Chile

Master of Business Administration

P. Universidad Católica de Chile

Taxpayer ID: 7,625,745-0

Since 05.06.2016

#### 11. SAFETY

##### **Andrés Pinto**

Industrial Engineer

Pontificia Universidad Católica de Chile

Diploma in Chemical Engineering

Pontificia Universidad Católica de Chile

Taxpayer ID: 13,686,119-0

#### 12. SERVICES

##### **Francisco Silva**

Public Management Degree

Universidad de Chile

Post graduate degree in Business

Administration

Escuela de Negocios Universidad Adolfo

Ibáñez

Taxpayer ID: 7,006,337-9

(\*) Corresponds to senior executive of Enel Chile.

# Senior Executives' and Managers' Compensation

During 2016, the compensation and benefits received by the Chief Executive Officer and senior executives of the Company amounted to a fixed compensation of \$1,487 million and \$637 million in variable compensation and benefits.

This amount included managers and senior executives that held their position in the Company at year-end and also those who left the company during the respective year.

## Benefits for Senior Executives and Managers

The company maintains complementary health insurance and catastrophic insurance coverage for senior executives and their accredited dependents. The company also has life insurance coverage for each senior executive. These benefits are granted according to the managerial level of each employee at the time executed.

In 2016, the amount spent on these benefits was \$19,310 million, which is included in the compensation received by senior executives.



# Incentive Plans for Managers and Senior Executives

Enel Chile has an annual bonus plan for its executives based on achieving objectives and the level of individual contribution to the company's results. This plan defines a bonus range for each management or hierarchical level. Executive bonuses are expressed as a specific number of monthly gross salaries.

## Severance payments

The company made severance payments to senior executives and managers that left the company amounting to \$503,886,063 in 2016.

## Shareholdings in Enel Chile

Based on the shareholder's register, as of December 31<sup>st</sup>, 2016, no senior executive owned shares of the Company.

## Management of Main Subsidiaries

### **Enel Generación Chile**

Valter Moro

Mechanical Engineer

Universidad Politécnica de Marche Italia

### **Enel Distribución Chile**

Andreas Gebhardt Strobel

Hydraulic Engineer

Pontificia Universidad Católica de Chile







Human Resources

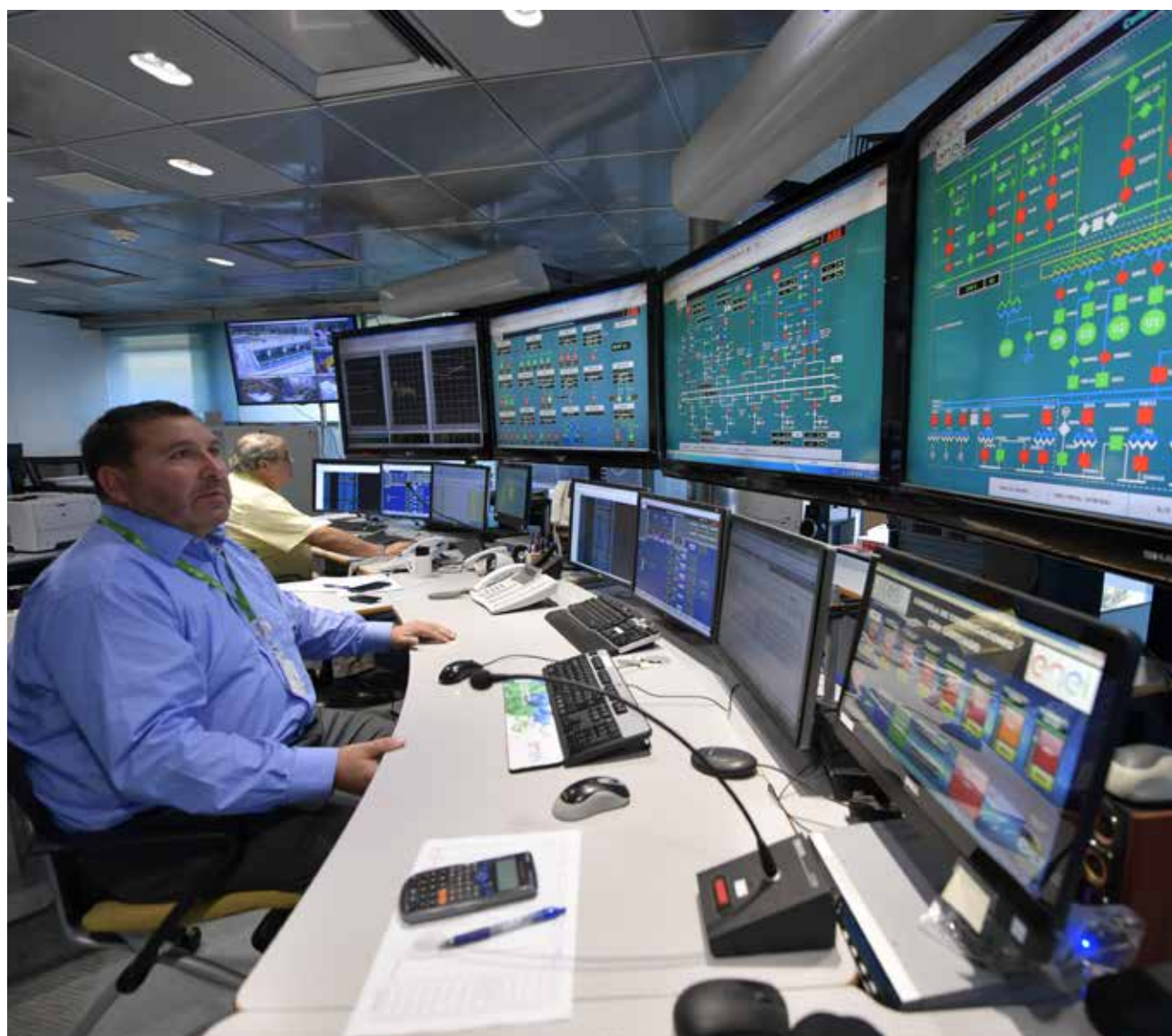
# Workforce

The following table includes total employees of Enel Chile and its subsidiaries and jointly controlled entities as of December 31<sup>st</sup>, 2016:

Company	Managers & Senior Executives	Professionals & Technicians	Other employees	Total
Enel Chile	22	245	69	336
Enel Generación <sup>(1)</sup>	18	812	53	883
Enel Distribución <sup>(2)</sup>	7	574	107	688
Servicios Informáticos e Inmobiliarios Ltda.	4	94	5	103
<b>Total</b>	<b>51</b>	<b>1,725</b>	<b>234</b>	<b>2,010</b>

(1) Includes Pehuenche and GasAtacama

(2) Includes Empresa Eléctrica de Colina and Luz Andes



# Diversity of the Chief Executive Office and other Departments that report to CEO or Board of Directors

NUMBER OF EMPLOYEES BY GENDER	ENEL CHILE	SERVICIOS INFORMÁTICOS E INMOBILIARIOS LTDA.
Female	3	-
Male	19	4
<b>Total</b>	<b>22</b>	<b>4</b>

NUMBER OF EMPLOYEES BY NATIONALITY	ENEL CHILE	SERVICIOS INFORMÁTICOS E INMOBILIARIOS LTDA.
Chilean	16	2
Spanish	-	2
Italian	6	-
<b>Total</b>	<b>22</b>	<b>4</b>

NUMBER OF EMPLOYEES BY AGE GROUP	ENEL CHILE	SERVICIOS INFORMÁTICOS E INMOBILIARIOS LTDA.
Less than 30 years		
Between 30 and 40 years	4	-
Between 41 and 50 years	9	3
Between 51 and 60 years	9	1
Between 61 and 70 years	-	-
<b>Total</b>	<b>22</b>	<b>4</b>

NUMBER OF EMPLOYEES BY YEARS OF SERVICE	ENEL CHILE	SERVICIOS INFORMÁTICOS E INMOBILIARIOS LTDA.
Less than 3 years	9	2
Between 3 and 6 years	1	-
More than 6 and less than 9 years	-	-
Between 9 and 12 years	2	-
More than 12 years	10	2
<b>Total</b>	<b>22</b>	<b>4</b>

# Diversity in the Organization

NUMBER OF EMPLOYEES BY GENDER	ENEL CHILE	SERVICIOS INFORMÁTICOS E INMOBILIARIOS LTDA.
Female	143	25
Male	171	74
<b>Total general</b>	<b>314</b>	<b>99</b>

NUMBER OF EMPLOYEES BY NATIONALITY	ENEL CHILE	SERVICIOS INFORMÁTICOS E INMOBILIARIOS LTDA.
Argentine	-	5
Brazilian	2	2
Chilean	307	90
Colombian	2	2
Spanish	1	-
Panameña	1	-
Rumanian	1	-
<b>Total</b>	<b>314</b>	<b>99</b>

NUMBER OF EMPLOYEES BY AGE GROUP	ENEL CHILE	SERVICIOS INFORMÁTICOS E INMOBILIARIOS LTDA.
Less than 30 years	10	2
Between 30 and 40 years	130	33
Between 41 and 50 years	102	32
Between 51 and 60 years	69	27
Between 61 and 70 years	3	5
<b>Total general</b>	<b>314</b>	<b>99</b>

NUMBER OF EMPLOYEES BY YEARS OF SERVICE	ENEL CHILE	SERVICIOS INFORMÁTICOS E INMOBILIARIOS LTDA.
Less than 3 years	22	7
Between 3 and 6 years	60	24
More than 6 and less than 9 years	31	12
Between 9 and 12 years	48	10
More than 12 years	153	46
<b>Total general</b>	<b>314</b>	<b>99</b>

## Average fixed salary of women compared to men within the same professional category

CATEGORY	
Senior Management	64.44%
Middle Management	80.06%
Administrative Staff	96.89%
<b>Average</b>	<b>80.46%</b>



# Human Resources Activities

## Labor Relations

The program of periodic meetings with the Unions continued in 2016, strengthening dialogue with the representatives of the workers and improving work conditions and climate.

## Safety Measures and Occupational Health

In Enel Chile, safety and occupational health are goals closely linked to the business. Given the nature of the business, it is exposed to critical risks. Leadership in safety integration and occupational health is particularly important throughout the continuous improvement process, at every level and any activity developed by the company, strengthening its priority in corporate management due to its strategic importance.

## Health Dissemination and Promotion

This program aims to educate and train workers about activities that promote quality of life through massive dissemination efforts, such as posters, graphic material and emailed information titled "Advice that gives Life." Among each month's topics are:

- > **March:** Anti-stress campaign offering practical recommendations to eliminate its causes.
- > **April:** Immunization campaign inviting to receive vaccination to prevent seasonal flu.
- > **May:** Anti-tobacco campaign offering advice to prevent tobacco consumption.
- > **June:** Cervix and prostate cancer campaign inviting to the annual preventive exam.
- > **July:** Respiratory disease and viral infections prevention campaign.
- > **August:** Heart care campaign.
- > **September:** Gastric and colon cancer campaign offering preventive exams for timely detection of these diseases.
- > **October:** Breast cancer prevention campaign.
- > **November:** Boost your energy campaign recommending practical nutrition habits to improve the quality of life.
- > **December:** Year round skincare campaign.

## Activities for Enel Chile Group's employees

1. Immunization Program
2. Cardiovascular Risk Program
3. Preventive Medical Exams Program
4. Work Safety Programs
5. Implementing New Safety Standards
6. Safety Training
7. Emergency and First Aid Training Programs



# Human Resource Management

## Workplace Climate Management

A work climate of excellence is a priority for Enel Chile and its subsidiaries. The Company understands that people are the core of the Company.

We have developed several initiatives that focus on climate to support both managers and employees:

1. Manager strengthening program
- 2 "RHO with You" Program
3. Interact Program
4. Personal Development Itinerary (IDP in its Spanish acronym) is a system to detect development needs, in which an employee and his or her manager, together, identify present and future developmental needs that are used to elaborate the employee's annual training program.
5. "One on One" interviews
6. A behavioral evaluation and goal accomplishment model entitled Performance Appraisal (PA)
7. "Recognizing Ourselves," Program

## Diversity

Enel Chile has developed a new diversity policy addressing subjects such as gender, age, nationality, and disability. This policy promotes the principles of non-discrimination, equal opportunities, inclusion and balance between personal life and work life, as fundamental values in the activities performed by the companies of the Group.



## Work-Life Integration Measures and Flexibility

Enel Chile fosters a balanced work life for its employees and their families. Therefore, the Company has developed initiatives that aim in that direction.

1. The Telework Program: began in 2012 and is one of the Company's most valued programs. Today, there are 85 teleworkers in the program, 36 are Enel Chile employees and work from their homes one day a week, reaching a balanced work and family life.

2. Sport and Culture Extension Program

3. Summer and winter camps for employees' kids.

4. The Summer Training workshops for workers' families.

5. Universidad de Chile's Summer School, an initiative that aims to improve employees' high school kids' academic performance.

6. Other initiatives such as Christmas Party, Senses Workshop, Family Day, End of the Year Party, the Olympics, and the Work Trajectory Award.



## Recruitment and Selection

For Enel Chile, the main objective is to hire the best people, and the core principle is to give internal candidates the opportunity first.

### Filling Job Openings

During 2016, 16 positions were available in Enel Chile S.A. of which 19% were filled with applicants from within the Company. Of that number, 67% were filled by women competing for the job. Of the external applicants that joined in 2016 (81% of all job openings), 13% were filled by women.





## Internships and Young Talent Attraction Program

Enel Chile has implemented a project to attract young talent. It consists in recruiting interns and thesis students from the best universities in the country. In 2016, there were 46 students working as interns or thesis students.

Furthermore, in 2016 Enel Chile, subsidiary of the Enel Group, participated in the Job Fair of the Business Administration and Economics School of the University of Chile, and in the Job Fair of the Engineering School of the Universidad Católica de Chile. Our stand received students from Industrial Engineering, Electrical Engineering, and Commercial Engineering.

## Diversity and Inclusion

For Enel Chile, having diverse work teams and an inclusive work environment is essential. It translates into a permanent search for new ways to create awareness and to facilitate building a diverse workforce and a work environment in which individual differences are respected and appreciated. As such, the Entrance Program seeks to incorporate interns from technical and professional careers with different skills. The company implemented this program by forming alliances with the Ministry of Education and various foundations.

# Educational Action

## Training

The Company's training program for 2016 was built and executed on two main management principles.

The first principal was to reach the right balance between training activities focused on developing skills and critical technical knowledge to improve the performance of our employees at their job, and also behavioral skills training to enable our employees to increase their possibilities of development within the Group.

The second principle was to justify the training program by offering the employee and his or her manager a mechanism to identify together, the technical and behavioral gaps the employee needs to close, regarding individual productivity, to access potential development opportunities in the future. The mechanism is entitled Professional Development

Itinerary (IDP In its Spanish acronym) and has a two-year implementation period. During 2016, the percentage of employees that had access to at least one of the three activities identified in their IDP reached 52%.

In general terms, Enel Chile's training activities during 2016 reached 83% coverage, which means that 281 employees participated in at least one training activity during the year. The total number of training hours reached 17,782, resulting in a 1.9 % training rate (training hours for every 100 hours worked).





## Stock Markets Transactions

# Stock Market Transactions

Quarterly transactions during 2016 of Enel Chile shares in Chile, on the Santiago Stock Exchange, the Electronic Stock Exchange and the Valparaíso Stock Exchange, as well as in the United States of America on the New York Stock Exchange (NYSE) are detailed below.

## Santiago Stock Exchange

During 2016, a total 5,632 million shares were traded on the Santiago Stock Exchange, equivalent to \$409,105 million. The closing price of the stock in December 2016 was \$62.01.

Month	Units traded	Amount (\$)	Average price (\$)
January	No Transactions		
February	No Transactions		
March	No Transactions		
<b>1° Quarter</b>	<b>No Transactions</b>		
April	189,438,882	15,723,107,849	82.96
May	1,060,670,974	84,113,666,262	79.3
June	748,549,069	58,043,133,609	77.51
<b>2° Quarter</b>	<b>1,998,658,925</b>	<b>157,879,907,720</b>	<b>79.92</b>
July	544,329,032	41,846,874,988	76.88
August	862,353,691	64,424,188,210	74.7
September	520,192,838	35,154,286,972	67.55
<b>3° Quarter</b>	<b>1,926,875,561</b>	<b>141,425,350,170</b>	<b>73.04</b>
October	505,024,616	33,370,359,554	66.06
November	712,779,896	45,852,083,519	64.26
December	489,046,630	30,577,894,316	62.51
<b>4° Quarter</b>	<b>1,706,851,142</b>	<b>109,800,337,389</b>	<b>64.28</b>
<b>Total 2016</b>	<b>5,632,385,628</b>	<b>409,105,595,279</b>	





# Chilean Electronic Stock Exchange

During 2016, a total 635 million shares were traded on the Electronic Stock Exchange, amounting to \$46,177 million. The closing price of the stock in December 2016 was \$61.5.

Month	Units traded	Amount (\$)	Average price (\$)
January		No Transactions	
February		No Transactions	
March		No Transactions	
<b>1° Quarter</b>		<b>No Transactions</b>	
April	5,131,460	427,903,221	83.39
May	80,298,645	6,434,240,391	80.19
June	108,989,814	8,456,080,146	77.17
<b>2° Quarter</b>	<b>194,419,919</b>	<b>15,318,223,758</b>	<b>80.25</b>
July	103,517,612	7,943,890,284	76.63
August	82,298,616	6,155,602,250	75.39
September	58,748,440	4,086,431,290	69.98
<b>3° Quarter</b>	<b>244,564,668</b>	<b>18,185,923,824</b>	<b>74.00</b>
October	54,719,188	3,688,953,794	67.13
November	53,515,720	3,401,355,879	64.80
December	88,352,071	5,583,136,921	62.95
<b>4° Quarter</b>	<b>196,586,979</b>	<b>12,673,446,594</b>	<b>64.96</b>
<b>Total 2016</b>	<b>635,571,566</b>	<b>46,177,594,176</b>	



# Valparaiso Stock Exchange

During 2016, a total 134 million shares were traded on the Valparaiso Stock Exchange, amounting to \$9.6 million. The closing price of the stock in December 2016 was \$70.5.

Month	Units traded	Amount (\$)	Average price (\$)
January		No Transactions	
February		No Transactions	
March		No Transactions	
<b>1° Quarter</b>		<b>No Transactions</b>	
April		No Transactions	
May		No Transactions	
June	14,000	1,102,500	78.75
<b>2° Quarter</b>	<b>14,000</b>	<b>1,102,500</b>	<b>79.00</b>
July		No Transactions	
August	28,000	1,960,000	70.00
September	92,460	6,570,418	71.06
<b>3° Quarter</b>	<b>120,460</b>	<b>8,530,418</b>	<b>70.53</b>
October		No Transactions	
November		No Transactions	
December		No Transactions	
<b>4° Quarter</b>		<b>No Transactions</b>	
<b>Total 2016</b>	<b>134,460</b>	<b>9,632,918</b>	

# New York Stock Exchange (NYSE)

Enel Chile shares began trading on the New York Stock Exchange (NYSE) on April 27<sup>th</sup>, 2016. One ADS (American Depositary Share) represents 50 shares, and the ticker is ENIC. Citibank N.A. acts as a depositary bank and Banco Santander Chile as the custodian in Chile. During 2016, 84 million ADS' were traded in the United States, amounting to US\$459 million. The ADS closing price in December was US\$4.55.

Month	Units traded	Amount (US\$)	Average price (\$)
January		No Transactions	
February		No Transactions	
March		No Transactions	
<b>1° Quarter</b>		<b>No Transactions</b>	
April	2,148,930	13,565,841	6.31
May	16,283,943	93,756,894	5.76
June	11,277,388	63,608,244	5.64
<b>2° Quarter</b>	<b>29,710,261</b>	<b>170,930,979</b>	<b>5.90</b>
July	17,572,843	100,186,380	5.70
August	11,522,424	64,654,142	5.61
September	6,525,482	32,875,808	5.04
<b>3° Quarter</b>	<b>35,620,749</b>	<b>197,716,330</b>	<b>5.45</b>
October	7,960,528	39,521,886	4.96
November	5,191,180	24,640,286	4.75
December	5,650,841	26,376,453	4.67
<b>4° Quarter</b>	<b>18,802,549</b>	<b>90,538,625</b>	<b>4.79</b>
<b>Total 2016</b>	<b>84,133,559</b>	<b>459,185,933</b>	

# Market Information

The global economic scenario in 2016 experienced moderate growth, in line with market projections and showing a slight improvement or stabilization of emerging economies. The elections in the United States have increased the possibility of a more active fiscal policy and has lowered expectations of inflation which eventually leads to a stronger dollar and also limits the economic growth perspectives for Latin America. Similarly, Great Britain's decision to leave the European Union along with the weak performance of significant economies, such as China and Brazil, have increased market volatility. Although the financial conditions for the emerging market economies in the region have adjusted, they are still attractive from a historical perspective.

In Chile, the Selective Stock Price Index, IPSA (in its Spanish acronym), which groups the 40 main shares traded in Chile(1) increased 12.8% in 2016.

This performance was mainly due to the re-allocation of portfolios, responding to greater interest in assets from mature markets and led to capital outflows from emerging markets to equity instruments in mature markets. This situation explains the capital inflows to the United States given the better market expectations resulting from the reforms that the new government administration elected in November 2016 is expected to implement.

The price of the share of Enel Chile has fallen 27.8% since April 21<sup>st</sup>, 2016, due to the market's reaction to the latest electricity tender process ended in August 2016.

Moreover, in spite of the devaluation of the Chilean peso against the US Dollar, the ADR's of Enel Chile on the New York Stock Exchange fell 24.5% since April 27<sup>th</sup>, 2017.

# Santiago Stock Exchange

The following table shows the changes in the price of the share of Enel Chile and the Selective Stock Price Index (IPSA) on the local stock market over the past two years:

Variation (04/21/2016 – 12/31/2016)	2016
Enel Chile*	-27.8%
IPSA	4.1%

(\*) Enel Chile begins trading on April 21<sup>st</sup>, 2016

# New York Stock Exchange (NYSE)

The following table shows the behavior of Enel Chile's ADRs listed on the NYSE (ENIC), compared to the Dow Jones Industrial index and the Dow Jones Utilities index over the past two years:

Variation (04-27-2016 – 12-31-2016)	2016
ENIC	-24.5%
Dow Jones Industrial	9.5%
Dow Jones Utilities	1.0%

(1) Exceptionally, the IPSA in 2016 included 43 shares. This number was adjusted in 2017 to include 40 shares once again.

In accordance to General Norm No 283, Numeral 5), the Company's 2015 and 2016 dividends policies are transcribed below.









■ Dividends

## General Aspects

The Board of Directors of the Company, in the session held on February 28<sup>th</sup>, 2017, approved the following Dividends Policy and the corresponding procedure for the dividend payments of Enel Chile S.A. for 2017.

## Dividend Policy

The Board of Directors' intention is to distribute an interim dividend for fiscal year 2017, of up to 15% of net income as of September 30<sup>th</sup>, 2017, as shown in the consolidated financial statements of Enel Chile S.A. at that date, payable in January 2018.

The Board of Directors will propose to the Ordinary Shareholders' Meeting, to be held during the first four months of 2017, to distribute a final dividend equivalent to 55% of net income for fiscal year 2017. The final dividend will be defined by the Ordinary Shareholders Meeting to be held during the first four months of 2018.

Compliance with the aforementioned dividend plan is subject to the actual net profit earned by the Company during the year, and to the results of the Company's periodic income projections or the existence of certain conditions, as applicable.

## Dividend Payment Procedure

The payment of dividends, whether interim or final and to avoid payment mistakes, Enel Chile offers the following payment methods:

1. Deposit in a bank checking account, whose account-holder is the shareholder.
2. Deposit in a bank savings account, whose account-holder is the shareholder.
3. Mailing of a check or cashier's check via certified mail to the address of the shareholder's residence recorded in Enel Chile's shareholders' register.
4. The collection of a check or cashier's check from the offices of DCV Registros S.A., as the registrar of Enel Chile's shares, or from the bank and branches defined for this purpose and informed in the dividend payment notice published.

For this purpose, bank checking or savings accounts may be located anywhere in the country.

It should be emphasized that the payment method chosen by each shareholder will be used by the centralized depository of securities, DCV Registros S.A. for all dividend payments unless the shareholder communicates in writing the intention to change it and record a new option.

Shareholders who have not registered a particular payment method will be paid by method four indicated above.

If checks or cashier's checks are returned by the post office to DCV Registros S.A., they will remain in its custody until collected or requested by the shareholder.

In the case of deposits in bank checking accounts, Enel Chile S.A. or DCV Registros S.A. may request, for security reasons, that they be verified by the respective bank. If there is an objection to the account indicated by a shareholder, whether in the prior verification process or for any other reason, the dividend will be paid according to method No 4 indicated above.

Moreover, the company has adopted and will continue to adopt in the future all the necessary security measures required by the dividend payment process to safeguard the interests of the shareholders and Enel Chile S.A.



## Dividend Policy 2016

The Board of Directors' intention is to distribute an interim dividend for the fiscal year 2016, of up to 15% of net income as of September 30<sup>th</sup>, 2016, as shown in the financial statements of Enel Chile S.A. at that date, and payable in January 2017.

The Board of Directors intends to propose to the Ordinary Shareholders' Meeting, to be held during the first four months of 2017, to distribute a final dividend equivalent to 50% of the fiscal year 2016 net income. The final dividend will be determined by the Regular Shareholders' Meeting, to be held during the first four months of 2017.

Compliance with the aforementioned dividend plan is subject to the actual net profit earned by the Company during the year, and to the results of the Company's periodic income projections or the existence of certain conditions, as applicable

**Dividend Payment Procedure:** The payment of dividends, whether interim or final and to avoid payment mistakes, Enel Chile offers the following payment methods: 1. Deposit in a bank checking account, whose account-holder is the shareholder; 2. Deposit in a bank savings account, whose account-holder is the shareholder; 3. Mailing of a check or cashier's check via certified mail to the address of the shareholder's residence recorded in Enel Chile's shareholders' register; and 4. The collection of a check or cashier's check from the offices of DCV Registros S.A., as the registrar of Enel Chile's shares, or from the bank and branches defined for this purpose and informed in the dividend payment notice published.

For this purpose, bank checking or savings accounts may be located anywhere in the country.

It should be emphasized that the payment method chosen by each shareholder will be used by the centralized depository of securities, DCV Registros S.A. for all dividend payments unless the shareholder communicates in writing the intention to change it and record a new option.

Shareholders who have not registered a particular payment method will be paid by method 4 indicated above.

If checks or cashier's checks are returned by the post office to DCV Registros S.A., they will remain in its custody until collected or requested by the shareholder.

In the case of deposits in bank checking accounts, Enel Chile S.A. or DCV Registros S.A. may request, for security reasons, that they be verified by the respective bank. If there is an objection to the account indicated by a shareholder, whether in the prior verification process or for any other reason, the dividend will be paid according to method No 4 indicated above.

Moreover, the company has adopted and will continue to adopt in the future all the necessary security measures required by the dividend payment process to safeguard the interests of the shareholders and Enel Chile S.A.

## 2016 Final Dividend Proposal

Mr. Herman Chadwick, Chairman of the Board of Directors, expressed the convenience of approving that the final dividend distribution proposal of 2016 fiscal year's net income be resolved by the Ordinary Shareholders Meeting of Enel Chile S.A.

To do so, the Chief Financial Officer, Mr. Raffaele Grandi, noted that net income to be distributed according to the dividend policy was calculated considering the following: i) the Company's net income for the Fiscal year 2016; and ii) net income already distributed by the Company as the interim dividend last January equal to 15% of net income as of September 30<sup>th</sup>, 2016. Consequently, Mr. Grandi informed that Enel Chile's net income for the fiscal year 2016 ascended to Th\$ 317,561,122. Therefore the dividend distribution equivalent to 50% of net income according to the Company's dividend policy would amount to Th\$ 158,780,561. After discounting the Th\$ 37,253,417 interim dividend paid in January 2017, the amount of net income pending distribution was Th\$ 121,527,144.

Therefore, the suggestion is to propose to the Ordinary Shareholders' Meeting of Enel Chile S.A. the distribution of a final dividend equal to \$ 3.23430 per share, representing 50% of the Company's net income for the fiscal year 2016. After deducting the interim dividend paid in January 2017, the amount to be distributed to shareholders in May 2017 would be \$ 2.475459 per share.





# Distributable Net Income for Fiscal Year 2016

The distributable net income for the fiscal year 2016 is shown below:

	Millions of \$
Net Income *	317,561
Distributable Net Income	317,561

\* Attributable to controlling shareholder

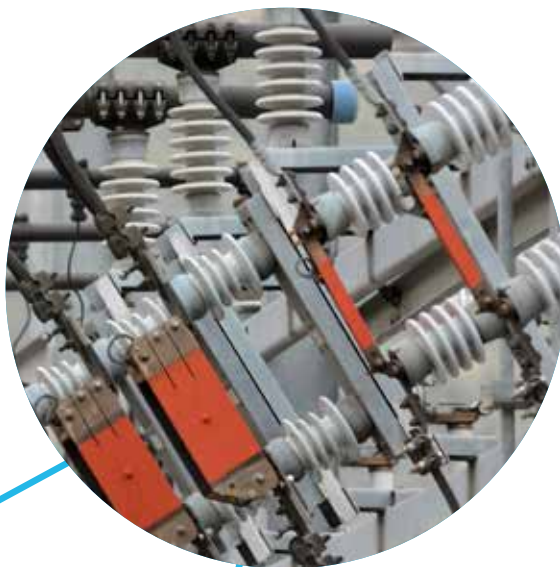
## Dividends Distributed

The following chart shows the dividends per share paid over the past two years:

Dividend No	Type of Dividend	Closing date	Payment date	Pesos per share	Fiscal year
1	Final	12/31/2015	05/24/2016	2.09338	2015
2	Interim	09/30/2016	01/27/2017	0.75884	2016







## Investment and Financing Policy

The Ordinary Shareholders Meeting, held on date April 28<sup>th</sup>, 2015, adopted the policy of investment and financing which is designated below.

# Investment Policy 2016

## Areas of Investment

- I. Enel Chile will invest, according to its bylaws, in the following areas: contributions to invest in or create subsidiaries and affiliate companies whose activity is aligned, related or linked to energy in any form or type, the supply of public utilities, or whose main input is energy.
- II. Investments related to the acquisition, exploitation, construction, lease, administration, trading and disposal of any class of fixed assets, whether directly or through subsidiaries.
- III. Other investments in all kinds of financial assets, titles or securities.

## Maximum Investment Limits

The maximum investment limits for each investment area are the following:

- I. Investments in the subsidiaries that operate in the electricity sector, those required for the fulfillment of the respective corporate purposes of these subsidiaries, with a maximum amount equivalent to 50% of the total equity of the consolidated balance sheet of Enel Chile as of December 31<sup>st</sup>, 2016.
- II. Investments in other subsidiaries, insofar at least 50.1 % of total consolidated assets of Enel Chile are electricity sector assets.

## Participation in the Control of Investment Areas

Pursuant to Enel Chile S.A. corporate purpose, the following procedure will be applied, whenever possible, to control the investment areas:

- i. It will be proposed at the Ordinary Shareholders' Meetings of our subsidiaries and affiliated companies the appointment of Directors related to the Enel Chile's stake in that company, preferably directors or executives of the Company or its subsidiaries.
- ii. The investment, financial and commercial policies will be proposed to the subsidiaries and affiliate companies, as well as the accounting criteria and systems to be followed.
- iii. The management of the subsidiaries and related companies will be supervised.
- iv. There will be a permanent control of the level of debt.



## Maximum Level of Debt

The maximum debt level of Enel Chile is determined by a Total Financial Debt to Equity ratio equal to or lower than 2.20 times based on figures in the consolidated balance sheet of Enel Chile as of December 31<sup>st</sup>, 2016.

## Management Powers to Agree with Lenders Restrictions related to Dividends' Distribution

Dividend restrictions may only be agreed with creditors if such restrictions were previously approved by the Shareholders' Meeting (ordinary or extraordinary).

## Management Powers to Agree with Lenders on Granting Guarantees

The Extraordinary Shareholders' Meeting is required to approve granting hard assets or personal guarantees to secure third party obligations when referring to the essential assets identified below:

### Essential Assets for Company Operations

The essential assets for the operation of Enel Chile are the shares that enable, as a majority shareholder or through shareholders agreements, the control of Enel Generación Chile and Enel Distribución Chile.





## History of the Company





# History of the Company

Enel Chile S.A., formerly named "Enersis Chile S.A.," was created as part of the corporate reorganization process that began in April 2015. Enersis S.A. controlled the generation, transmission and distribution business in Chile and four other countries in the region (Argentina, Brazil, Colombia, and Peru). The Extraordinary Shareholders' Meeting of Enersis S.A. held on December 18<sup>th</sup>, 2015, approved the first phase of the reorganization plan named "the Division," which created Enersis Chile S.A. as the only vehicle to control the Group's generation and distribution assets in Chile. Enersis S.A. became Enersis Americas S.A., the vehicle to control all assets of the businesses in other countries in the region.

Endesa Chile S.A. and Chilectra S.A. went through this same division process.

On September 28<sup>th</sup>, 2016 the Shareholder's Meeting of Enersis Américas S.A, Endesa Américas S.A and Chilectra Américas S.A approved the second phase of the plan called "the Merger" in which Enersis Américas S.A absorbed the businesses of Endesa Américas S.A and Chilectra Américas S.A. During the same meeting, shareholders agreed to change the name of Enersis Américas S.A to Enel Américas S.A.

On October 4<sup>th</sup>, 2016, the shareholders of Enersis Chile, Endesa Chile and Chilectra agreed to change their names to Enel Chile, Enel Generación Chile and Enel Distribución Chile respectively.

Now that the organizational simplification process of the Group has concluded, Enel Chile participates in the electricity generation business through its subsidiary Enel Generación Chile. This subsidiary has 103 generation units installed throughout the Central Interconnected System (SIC in its Spanish acronym) and eight units in the Northern Interconnected System (SING in its Spanish acronym) reaching a total aggregate 6,300 MW installed capacity,

placing it among the most important energy companies in the country.

Enel Chile participates in the distribution business through Enel Distribución Chile that operates a concessions area of more than 2,000 square kilometers, covering 33 districts in the Metropolitan Region, representing 40% of total sales of distribution companies in the country, making Enel Chile the largest electricity distribution company in Chile. The Company has also grown by adding new applications to electricity and developing new ways to manage electricity. Enel Chile was the first company in the country to offer its customers intelligent metering technology. Also, it has placed the first and only electric bus to operate in the downtown area of Santiago and completely free of charge to passengers. Enel Chile seeks to promote the efficient use of energy supplied by Enel Distribución Chile to its almost 2 million residential customers in Chile and thus to collaborate with its environment.

In June 2016, Endesa Chile (Enel Generación Chile today) sold its 20% share in GNL Quintero S.A. to Enagás Chile S.p.A for US\$ 200 million. This decision to sell its shareholding in GNL Quintero was based on the fact that it did not represent a strategic asset for the development of the electricity business or the natural gas trading business of the Company.

Enel Chile is part of the Enel Group, a global energy company and one of the main integrated operators in the electricity and natural gas sectors worldwide. It is present in 30 countries and four continents and supplies energy to nearly 61 million people and has net installed capacity of more than 90 GW.







## Investments and Financial Activities

# Relevant projects of the Company's Investment Plan

The Group's global financing strategy and intercompany loans are coordinated to optimize debt management in addition to the terms and conditions of financing. The subsidiaries generally develop their capital expenditure plans independently, financed by internally generated funds or direct financing. One of the objectives is to focus on investments that will provide long-term benefits, such as energy-loss reduction projects. Additionally, with the purpose of reducing the investment in areas such as acquisition systems, telecommunications, and information technology, these services are centralized and provided for all Enel Chile Group companies. Although the form of financing these investments has been considered as part of the company's budgeting process, no particular financing structure has been committed. The investments will depend on market conditions at the time cash flows are needed.

The investment policy of Enel Chile S.A. is flexible enough to adapt to changing circumstances, prioritizing each project differently, based on profitability and strategic alignment.

From 2017 to 2019, \$888 billion is expected to be disbursed, on a consolidated basis, relating to investments currently underway, maintenance of our distribution network, maintenance of existing installed capacity, and studies related to the development of other potential generation projects.

The following table shows the expected capital expenditure for the 2017 – 2019 period and the amount incurred by our subsidiaries in 2016, 2015 and 2014:

	Investment <sup>(1)</sup> (in billions of \$)			
	2017-2019	2016 <sup>(1)</sup>	2015 <sup>(1)</sup>	2014 <sup>(1)</sup>
Chile	888	157	310	197
<b>Total</b>	<b>888</b>	<b>157</b>	<b>310</b>	<b>197</b>

(1) The figures represent actual disbursements each year, except for future projections (gross amounts)





# ■ Generation

In Chile, the main investments developed during 2016 focused on the construction of the 150 MW Los Cóndores pass through hydroelectric power plant, which began in 2014 and also the investments related to finishing the 350 MW Bocamina II power plant.

## Relevant Investments in 2016, 2015 and 2014

The capital investments carried out over the last three years were mainly related to:

(i) The 350 MW Bocamina II power plant optimization project

(ii) The 150 MW Los Cóndores project

(iii) Maintenance of existing installed capacity

The capital investments just mentioned and related to specific projects were financed as follows:

> Optimization of Bocamina II: cash from operations

> Los Cóndores: cash from operations

## Projects Currently Underway

The most important projects currently underway are:

> Optimization of Bocamina II Power Plant: Environmental improvements (coal field roofing, biomass filters, among others) and sustainability initiatives such as eradication programs, agreements with fishermen, shared value funds, among others.

> Los Cóndores project: 150 MW hydroelectric power plant located in the Maule region of Chile that began construction in 2014.



# ■ Distribution

During 2016, Enel Distribución Chile and its subsidiaries (Colina and Luz Andes) invested \$81 billion in projects primarily related to satisfying natural growth of our customers, service quality, safety and information systems. Furthermore, during 2015, a total \$90 billion were invested, \$67 billion to satisfy electricity consumption needs related to demographic growth and \$23 billion to extraordinary investments.

In 2016 a total \$22 billion were invested in Medium and Low Voltage networks, allowing to connect new customers, both residential and large customers, and also connect real estate projects.

Focusing on increasing Enel Distribución Chile's network capacity, a total \$13 billion were invested in the start-up of three new HV/MV transformation units: Lo Boza Substation, Andes Substation, and Chacabuco substation. Regarding sub transmission lines, two lines were reinforced: the 110 kV Altamirano line and the 110 kV Espejo-Ochagavia line. Regarding medium voltage (MV) lines, four new feeders were added: Monkeberg feeder –La Reina Substation (12 kV), Talladores feeder – Macul Substation (12 kV), Angamos feeder – Cisterna Substation (12 kV) and Neruda feeder – Bicentenario Substation (12 kV).

Regarding service quality, \$13 billion were invested mainly in reinforcing certain feeders, those determined by our quality plan. Worth highlighting is the automation of the MV network that involved adding 500, from 700 to 1,200, new remote control devices, to the medium voltage network, and the necessary network adjustments. This plan condensed in one year the activities that would normally take six years to implement. At the same time, the second phase of the Medium Voltage SCADA Platform was implemented, named "MV Remote Control System," STM in its Spanish acronym. Regarding telecommunications infrastructure, the first Digital Mobile Radio (DMR) platform and equipment was installed, and the first stage of the 3G update took place. The focus is to increase coverage and availability of communication links between MV equipment and the Control Center. The DMR platform was the first to be installed and operational in Chile and the rest of the Enel Group companies in Latin America.

Finally, one of the greatest achievements of the Company in 2016 was the installation of 55,257 smart meters in Santiago, a \$5 billion investment. This project represents a milestone and the beginning of a new paradigm in electricity distribution in Chile and South America. This technology has allowed customers to perceive the main benefits of the program such as, more convenient and safe remote reading; electricity consumption self-management offering access to flexible and hourly rates; and two-way meters offering customers that have a self-generating photovoltaic solar panel system the possibility to sell their household excess energy to the system. This technology also allows improving the quality of the electricity service received by being able to monitor the service and receive alerts from the central administration system.





## Liquidity

As of year-end 2016, the subsidiary Enel Generación Chile relies on committed credit lines available for US\$ 512 million. Also, undisbursed commercial credit lines available for a maximum US\$200 million. These were registered in the Securities Register of the Superintendence of Securities and Insurance (SVS in its Spanish acronym) in January 2009 and expire in 2019.

In addition to the liquidity instruments mentioned above, the Company and its subsidiaries ended 2016 with available cash amounting to US\$367 million.

## Indebtedness

The consolidated financial debt of Enel Chile reached US\$ 1,273 million, mainly international bonds, and local bonds with 11 years average life.

Net consolidated debt was US\$ 906 million at year-end 2016, and 1.0 was the leverage ratio<sup>(1)</sup>

## Main Financial Operations

During 2016 the subsidiary Enel Generación Chile obtained a new international four-year term committed credit line for US\$200 million and renewed a three-year term US\$ 112 million domestic committed credit line. The disbursements of these credit lines have no restrictions.

Enel Generación Chile also completely amortized a US\$250 million intercompany loan with Enel Americas.

## Hedging Policy

### Exchange Rate

The exchange rate hedging policy of the Enel Chile Group is based on cash flows and seeks to maintain a balance between flows indexed to foreign currency (US\$) and the levels of assets and liabilities denominated in that currency. The goal is to minimize cash flow exposure to risk related to exchange rate variations.

### Interest Rate

The goal of the Group's interest rate hedging policy is to maintain a balanced debt structure to minimize financial expenses and reduce income statement volatility. Hedging instruments are purchased based on market conditions, the Company's projections and debt structure objectives.

At year-end 2016, consolidated fixed debt to total financial debt was 92%.

## Risk Rating

Regarding risk rating, the main events that took place in 2016 are summarized below:

Enel Chile was rated for the first time by Feller Rate on April 20<sup>th</sup>, 2016. The Company was rated "AA" on the local scale with a stable outlook. This rating was later confirmed on July 8<sup>th</sup>.

Fitch Rating also began assigning a credit rating to Enel Chile S.A.. On April 21<sup>st</sup>, 2016 the local rating assigned to the Company was "AA" with a stable outlook.

1 Calculated as Net Financial Debt over Gross Operating Income (EBITDA)



Furthermore, on July 22<sup>nd</sup>, 2016, Standard & Poor's assigned Enel Chile S.A. a "BBB+" international credit rating with a stable outlook. This rating is an "investment grade" rating.

The Company's ratings are based on its diversified portfolio of assets, strong credit parameters, adequate debt structure and high liquidity.

## International Rating

Enel Chile	S&P
Corporate	BBB+ / Stable

## Local Rating

Enel Chile	Feller Rate	Fitch Ratings
Stocks	1° class, Level 2	1° class, Level 1
Bonds	AA / Stable	AA / Stable



## Insurance

Enel Chile owns equipment and substations located in the Metropolitan Region. These assets are covered by a global insurance program centralized by its parent company Enel that covers material damage, terrorism, business interruption and legal liability. The insurance policies' renewal process was carried out through an international bid, where the leading insurance companies worldwide were invited to participate. The contracts were renewed on November 1<sup>st</sup>, 2016 and expire October 31<sup>st</sup>, 2017.

## Brands

The company has registered the brand "Enersis Chile" for services, products, industrial and commercial facilities. The brand name "Enel Chile" is going through the registration process.

## Suppliers, Customers, and Main Competitors

Considering that Enel Chile S.A. is a Holding Company that operates primarily in the electricity generation and distribution sectors in Chile, the suppliers, customers, and competitors are those relevant to the Company's main subsidiaries.

Based on the above, the suppliers, customers, and competitors are the following:

Cencosud Group, Gerdau Aza, Metro S.A., CGE Distribución SA., SAESA, Chilquinta Energía S.A., Colbún S.A., AES Gener S.A., Engie Energía Chile S.A. (Suez), Empresa Eléctrica Guacolda S.A., Ferrovial Agroman Chile S.A., Echeverría Izquierdo Montajes Industriales, Abengoa Chile, Cables de Energía y Telecomunicaciones, FAE Lumisistemas Ltda., Ernst & Young.





■ Risk factors

# Risk Management Policy

The companies of Enel Chile are exposed to certain risks, which are managed through the application of identification, measurement, limit of concentration and supervision systems.

The basic principles defined by the Group in establishing its risk management policy include the following:

- Comply with rules of good Corporate Governance
- Comply strictly with the Group's norms and procedures
- Each business and corporate area defines:

(i) The markets in which it can operate based on having sufficient knowledge and abilities to ensure effective risk management

(ii) Criteria on counterparties

(iii) Authorized operators

- Each business and corporate area establishes, for each market in which it operates, its position regarding risk based on the strategy defined.
- All business operations and corporate areas are performed within limits approved for each case.
- The businesses, corporate areas, business lines, and companies establish the risk management controls necessary to ensure that market transactions are performed according to policies, rules, and procedures of Enel Chile.





# Interest Rate Risk

Interest rate fluctuations modify the fair value of assets and liabilities that accrue interest at fixed rates, as well as the future flows of assets and liabilities based on a variable interest rate.

The objective of interest rate risk management is to achieve a debt structure balance that allows minimizing the cost of debt with reduced income statement volatility.

As of December 31<sup>st</sup>, 2016, 92% of total gross debt has a fixed or hedged interest rate.

Depending on the Group's estimates and debt structure objectives, hedging operations include derivatives that mitigate these risks. The instruments to mitigate interest rate risks currently in use include swaps that transform variable rates into fixed rates.



## Exchange Rate Risk

Exchange rate risks are primarily related to the following transactions:

- Debt incurred by the Group's companies in currencies different from their respective operational cash flow currency.
- Payments of project-related materials and corporate insurance policies made in currencies different from their respective operational cash flow currency.
- Revenues in the Group's subsidiaries that are directly linked to currencies different from their respective operational cash flow currency.

To mitigate exchange rate risk, Enel Chile aims to maintain an equilibrium between flows indexed in American dollars and levels of asset and liabilities in such currency. The objective is to minimize cash flow exposure to exchange rate fluctuations.

The instruments currently used to comply with this policy are currency swaps and exchange rate forwards.



## Commodities Risk

The Enel Chile Group is exposed to certain commodity price fluctuations, primarily through:

- Fuel purchases in the process of generating electricity
- Energy trading operations in local markets

To reduce risk in situations of extreme drought, the Group has designed a commercial policy that defines sale commitments, consistent with its power plant's generation capacity in a dry year, as well as risk-mitigation clauses in some contracts with nonregulated customers. In the case of regulated customers that are subject to long-term tender processes, indexation clauses are included to reduce commodity price exposure.

Considering the operating conditions faced by the electricity generation market in Chile, such as droughts and commodity price volatility in international markets, the company is constantly evaluating the convenience of hedging instruments to mitigate the impact of price fluctuations on profits. As of December 31<sup>st</sup>, 2016, swap operations for 3 mill Brent oil barrels and 3.3 mill MBTU Henry Hub gas, to be liquidated between January and November 2017, were in place. As of December 31<sup>st</sup>, 2015, the company held swaps for 133 thousand Brent oil barrels.

Because of constantly changing operating conditions, these hedging measures may be modified or could include other commodities.

## Liquidity Risk

The Group maintains its liquidity through committed long-term credit facilities and temporary financial investments, for amounts sufficient to fund the projected needs of a period, calculated as a function of the overall situation and expectations in the debt and capital markets.

These projected needs include net financial debt maturities; or in other words, maturities after financial derivatives. For more information on characteristics and conditions of financial debt and financial derivatives, see Note 17, 19 and Annex No 4.

As of December 31<sup>st</sup>, 2016, the Enel Chile Group had a liquidity of M\$ 245,999,125 in cash and cash equivalents, and M\$ 342,827,047 in unconditionally available long-term committed credit lines. As of March 1<sup>st</sup>, 2016, the Enel Chile Group had a liquidity of \$M 161,018,932 in cash and cash equivalents and M\$ 277,668,000 in unconditionally available long-term committed credit lines.



## Credit Risk

The Enel Chile Group conducts a detailed follow-up of credit risk.

## Trade Accounts Receivables

The credit risk associated with accounts receivables stemming from commercial activity has historically been limited, mainly due to short-term payment deadlines that prevent clients from accumulating significant individual credit. This applies to the generation and distribution businesses.

In some of our generation business contracts with nonregulated customers, in events of non-payment, we can interrupt such customer's electricity supply. Contracts also stipulate that payment defaults qualify as a cause for contract termination. For this reason, and although the risk is limited, credit risk and maximum amounts exposed to payment risk are constantly being measured and monitored.

Regarding our distribution business, supply disruption is included in the company's powers against defaulting clients, as determined by industry regulation and enables the evaluation and control of the limited credit risk.

## Financial Assets

Investments of cash surpluses are made in first class domestic and foreign financial entities (with investment grade credit ratings when possible) within established limits for each entity.

Investments may be backed by Chilean treasury bonds and securities issued by first-class banks, prioritizing the latter as they offer better returns (always within existing investment policy guidelines).

Derivative instruments are entered into with entities with solid creditworthiness; all derivative transactions are performed with entities with investment grade ratings.

## Risk Measurements

The Enel Chile Group measures the Value at Risk of its debt and financial derivatives to monitor the risk assumed by the company, thus limiting income statement volatility.

The positions included in the portfolio used to calculate the present value at risk is composed of:

- Financial debt
- Debt hedging derivatives

The calculated value at risk represents a potential loss of value of the portfolio in one trimester, with 95% confidence. To determine the value at risk, we take the volatility of the risk variables affecting the value of the portfolio into consideration including:

- US dollar LIBOR interest rate
- Exchange rates of currencies included in the calculations

The calculation of Value at Risk is based on the extrapolation of future market value scenarios (one-quarter out) of the risk variables according to the scenarios based on real observations for the same period (quarter) for five years.

The Value at Risk for the next quarter, with 95% confidence, is calculated as the percentile of the most adverse 5% of possible quarterly changes.

Considering the hypotheses stated above, the Value at Risk for the next quarter is M\$73,197,508.

This value represents the potential increase in the debt derivatives portfolio and is therefore intrinsically linked, among other factors, to the value of the portfolio at the end of each quarter.



# Other Risk Factors

***A financial crisis, or any other type of crisis, in any region of the world, could have a significant impact on Chile, and consequently, adversely affect the company's operations and liquidity.***

Chile is vulnerable to external impacts, including financial and political events, which can cause significant economic difficulties and affects its growth. If the Chilean economy achieves unexpectedly low growth rates or enters a recession, customers are likely to reduce their electricity demands, and some might face difficulties paying their bills, which would possibly increase the company's uncollectible accounts. Any of these situations could adversely affect the company's operational results and financial condition.

Financial and political crisis in other parts of the world could also adversely affect the business. For example, instability in the Middle East, or in other oil-producing regions, could result in higher oil prices worldwide, which in turn could increase fuel costs in thermal generation plants and adversely affect the company's operational results and financial condition.

Additionally, the negative impacts of a financial crisis on the finance industry could have an adverse impact on our ability to obtain new bank financing on historical terms and conditions.

Political events or a financial crisis could also reduce access to capital markets in Chile, as well as other international capital markets for additional sources of liquidity, or increase the interest rates available. Reduced liquidity could affect capital expenditures, long-term investments, and acquisitions, in addition to the company's development projections and dividend policy.

***Economic fluctuations in Chile, as well as certain interventionist economic policies proposed by the governmental authorities, can affect operational results and financial condition, as well as the value of our securities.***

All operations are in Chile. Therefore, consolidated revenues could be affected by the performance of the Chilean economy. If local, regional, or global economic trends negatively affect the Chilean economy, the Group's financial condition and operating results could be adversely affected. Additionally, generating insufficient cash flow for subsidiaries could result in their incapacity to fulfill obligations and necessity to ask for dispensation for certain restrictive financial conditions.

The government of Chile has and continues to exercise considerable influence on many aspects of the private sector, which may result in changes to economic policies and other policies. For example, in September 2014, the Chilean government approved the gradual increase in corporate taxes and a change to the tax system, which could have an additional negative effect on non-Chilean stockholders or ADSs. On February 8<sup>th</sup>, 2016, Law 20,899 was enacted, which made some amendments to this tax system reform. Other governmental decisions could include wage, price, and tariff controls, as well as other interventionist measures such as expropriation or nationalization.

Future adverse events in Chile or changes in tariff policies, exchange rate controls, regulations or taxation could hinder the ability to execute strategic plans, which could negatively affect the company's operational results and financial condition. Inflation, devaluation, social unrest and other political, economic or diplomatic events, including the response of regional governments to these circumstances, could affect the profitability of Enel Chile. Also, financial and securities markets are influenced by economic and market conditions of other countries and could be adversely affected by events in other countries, which could adversely affect the company's securities.

***The electricity business is exposed to risks caused by natural disasters, catastrophic incidents and acts of terrorism, which can adversely affect operations, profits, and cash flows.***

The core facilities of Enel Chile include generation power plants and distribution assets. These facilities can sustain damage from earthquakes, floods, fires and other catastrophic disasters, either natural or humanmade, as well as vandalism, mutinies, and terrorism.

A catastrophic event could cause interruptions in the business and significant reductions to revenues due to reduced demand or significant additional costs not covered by insurance clauses regarding business interruptions. There might be delays between a significant accident or catastrophic event and final reimbursements covered by the insurance policies in place at Enel Chile, which usually include a deductible and maximum amount per claim.



In the distribution business, on May 6<sup>th</sup>, 2015, a fire damaged and affected the Alonso de Córdoba substation in Santiago, leaving 50,000 consumers without power throughout eastern Santiago, place where a significant amount of commercial and financial activity occurs. A short circuit produced the massive blackout. Damages ascended to US\$ 5.8 million. Chilean authority fined Chilectra (now Enel Distribución, 6,000 monthly tax units (UTM, in its Spanish acronym), almost \$ 277.1 million as of December 31<sup>st</sup>, 2016.

We are subject to financing risks, such as those associated to financing new projects and capital expenditures and those associated to refinancing maturing debt; we are also subject to debt obligations, which could affect the liquidity of Enel Chile.

As of December 31<sup>st</sup>, 2016, the combined debt of Enel Chile amounted to \$ 820 billion.

The maturity profile is as follows:

- \$ 18 billion in 2017;
- \$ 16 billion from 2018 to 2019;
- \$ 15 billion from 2020 to 2021; and
- \$ 771 onwards.

Some of the debt contracts are subject to (1) compliance with financial ratios, (2) covenants, (3) events of default, (4) events of acceleration of debt due to non-compliance with contractual conditions, among others. A sizable portion of the subsidiaries' financial debt is subject to cross-default clauses with different definitions, criteria, materiality limits and applicability for subsidiaries that may give rise to cross-defaults.

If the subsidiaries fail to comply with any of these contractual obligations, creditors and bondholders may demand immediate repayment, and a considerable portion of debt could become payable on demand.

It is possible that we do not have the ability to refinance debt or are unable to obtain refinancing on terms acceptable for Enel Chile. In the absence of said refinancing, the company might be compelled to dispose of assets at unfavorable prices to make the accrued debt payments. Moreover, Enel Chile may not sell these assets quick enough or for as much as needed to make such payments.

The company might also not have the ability to obtain funds required to complete projects under construction or development. Also, market conditions at the time funds are required, or other unforeseen extra costs could compromise the ability of Enel Chile of financing these projects and investments.

Enel Chile's inability to finance new projects and capital investments or refinance existing debt could adversely affect its operational results and financial condition.

***Enel Chile may not be able to make appropriate acquisitions.***

The company continuously verifies the perspective of acquisitions that may increase market share or complement existing business units, but cannot guarantee that appropriate acquisition deals will be identified and carried out in the future. The acquisition and integration of independent companies not controlled by Enel Chile are generally a complex, costly, and time-consuming process, which requires considerable effort and expenses. If an acquisition is completed, the company may incur substantial debt and assume unknown obligations, potentially lose key employees, depreciation expenses related to tangible assets, and the distraction of management from other business concerns. Additionally, any delay or difficulty found that relates to the acquisition or integration of multiple operations could have adverse effects on Enel Chile's financial condition or operational results.

***Because the generation business heavily relies on hydrological conditions, droughts and climate change can adversely affect operations and profitability.***

Approximately 55% of combined generation installed capacity in 2015 was hydroelectric. Therefore, extreme hydrologic conditions and climate change could negatively affect the business, as well as operational results and financial condition of Enel Chile. In the previous years, results have been affected by hydrologic conditions in Chile, since they have been below the historical average.

Below-average hydrological conditions not only reduce the ability to operate the hydroelectric plants entirely but also increase the costs of water and water transportation for cooling purposes to the San Isidro thermal plant. Enel Generación Chile has signed agreements with the Chilean government and local farmers regarding the use of water in hydroelectric generation, especially during periods of drought. If drought conditions persist or worsen, pressure from the Chilean government or third parties to further restrict the use of water may increase. (For more information on water rights agreements, see "Item 4. Company Information – B. Business Summary – Water Rights). Droughts may also affect the performance of thermal plants, including facilities that use coal, diesel, or natural gas as fuel, in the following ways:

- During periods of drought, thermal plants are used more frequently. Since operating expenses in thermal plants can be considerably higher than in hydroelectric plants, operating expenses could increase during these periods. Also, depending on commercial commitments, electricity might have to be purchased in the spot market to comply with contractual obligations. The purchase price may exceed the sale price stipulated in the agreements, thus creating losses in those contracts. For more information on how hydrology affects the business and financial results, see "Item 5: Operational and Financial Revision and Perspectives- A. Operating Results – 1. Analysis of the Main Factors that Affect Operational Results and Financial Condition" – A. Generation Business".

- Thermal plants require water for cooling purposes, and droughts not only reduce water availability but also increases the concentration of chemicals, such as sulfates, in water. High chemical concentration in water destined for cooling purposes increases the risk of damage to the plant's equipment, as well as the risk of violating important environmental regulations. As a result, water must be bought from farmlands that also experience water shortages. These water purchases may increase operating costs and force negotiations with local communities.

- Thermal plants that burn gas generate emissions such as sulfur dioxide (SO<sub>2</sub>) and nitrogen oxide (NO) gases. When operating on diesel fuel, plants also emit particulate matter into the atmosphere. Plants that operate on coal emit SO<sub>2</sub> and NO. Therefore, increased use of thermoelectric power plants in periods of drought increases the risk of emitting higher levels of pollutants.

The droughts affecting the regions where most of the hydroelectric plants are located can last for a prolonged period, and new drought situations may occur in the future. A prolonged drought exacerbates the risks mentioned above and will have an additional adverse impact on the business, operational results and financial condition of the company.

The distribution business is also affected by climate conditions: such as average temperature, which may modify heating or air conditioning, which affects energy consumption. Even with extreme temperatures, demand may significantly increase in a short period, which could affect services and may result in service disruptions, which the additional risk of being subject to fines. Depending on climate conditions, Enel Generación Chile's results may significantly vary year to year.

### ***Government regulations can adversely affect the business of Enel Chile.***

Enel Chile is subject to a wide range of regulations on the rates it charges its customers. These regulations can adversely affect the company's profitability. For example, the Chilean government may impose electricity rationing during periods of droughts or prolonged plant failure, which could adversely affect the business, operating results and financial condition of Enel Chile.

Chilean governmental authorities can delay the distribution tariff revision process, or rate adjustments may be insufficient to overcome all the company's expenses. Electricity regulations issued by the Chilean government may affect the ability of Enel Chile's generation companies of raising enough revenue to cover operating costs.

If any of the Group's companies are unable to obtain enough revenue to cover its consolidated operating expenses, it may affect the Company's operations and could negatively affect the business, financial and operational results in Enel Chile.

Also, legislators and administrative authorities often receive proposals for changes in the regulatory framework, and some of these changes could have a material adverse impact on the business, and affect Enel Chile's results. For example, an amendment to the Chilean water rights law in 2005 forces the payment of exclusive unused water rights, increasing the annual cost of maintaining water rights for hydroelectric projects that are not technically or economically feasible. In August 2016, Enel Generación Chile relinquished its unused water rights, registering a loss of \$ 35.4 billion.

In 2015, the CDEC-SING audited the GasAtacama Thermal plant for the Superintendence of Electricity and Fuel (SEC, in its Spanish acronym). In August 2016, the SEC fined GasAtacama 120,000 monthly tax units (UTMs, in its Spanish acronym, approximately \$ 5.5 billion as of December 31<sup>st</sup>, 2016) alleging inexact information provided to the CDEC-SING relating to minimum times and technical minimums required to operate, which implied greater operating expenses in the system. More audits and changes to the minimum operating times and technical minimums may occur in the future. This and any future regulatory changes could affect the company.



These changes could adversely affect the business, operational results and financial condition of Enel Chile.

***The business and profitability of Enel Chile could be negatively affected if water rights are denied or if water concessions are granted for a limited time.***

Enel Chile's water rights are granted by the General Directorate of Water (DGA, in its Spanish acronym) for the supply of water from rivers and lakes near the production facilities of the company. Under current Law, these rights are (i) unlimited in duration (ii) absolute, and unconditional property rights and (iii) are not subject to further dispute. Chilean generation companies must pay an annual license fee for unused water rights. New hydroelectric facilities are required to obtain water rights, whose conditions may affect the design, scheduling, or profitability of a project.

Also, the Congress of Chile is currently analyzing amendments to the Water Code to prioritize the use of water by defining its access as a human right that must be guaranteed by the State. The amendment states that the use of water for human consumption, domestic subsistence and sanitation will always take precedence, in both granting and limiting the use of exploitation rights. Under this proposal: (i) concessions in the use of water would be limited to 30 years, extendable in relation to water rights effectively used during the 30-year period, unless the DGA can prove that the water rights have not actually been used, (ii) new non-consumptive water rights would expire if the holder does not exercise the rights within eight years; (iii) unused existing non-consumptive water rights would expire within eight years from the date of enactment of the new Water Code; and (iv) towards the end of 2015, a new requisite was added regarding the existence of an ecological flow for current and future water rights for consumptive and non-consumptive water usage, which would reduce water availability for generation purposes. Any limitations on current water rights, the need for additional water rights or water concessions of unlimited duration could have an adverse effect on the Company's hydroelectric projects under development and profitability.

Any limitations on the current water rights of Enel Chile or any need for additional water rights or water concessions of unlimited duration could have an adverse effect on the Company's hydroelectric projects under development and profitability.

***Regulatory authorities may impose fines on subsidiaries, which may adversely affect the operational results and financial condition of Enel Chile.***

In Chile, fines can be incurred for a maximum of 10,000 Annual Tax Units (UTA, in its Spanish acronym) or \$ 5.4 billion, using the UTA as of December 31<sup>st</sup>, 2016. Generation subsidiaries are supervised by local regulation authorities and are subject to these fines if, in the opinion of the regulatory entity, the operational failures that affect the normal supply of energy to the system are the responsibility of the Company; for example, when different agents do not coordinate properly with the system operator. Also, the new transmission law establishes compensation for final customers when power supply is interrupted beyond the standard time allowed. Compensation is a part of the energy not supplied, with a minimum value between 20,000 UTA (\$ 11.1 billion as of December 31<sup>st</sup>, 2016) and revenue from energy sales from the previous year, in the case of generators.



As of December 31<sup>st</sup>, 2016, Enel Distribución Chile has five outstanding fines from the SEC amounting to \$ 1.8 billion, mainly due to regulation infractions related to the quality and continuity of services during previous years and failures in two substations. The fines have not been paid yet, as appeals were submitted to the Electricity Authority and Courts of justice. For more information on fines, see Note 35 of Notes to Consolidated Financial Statements.

***The Company depends on payments from subsidiaries, jointly-controlled entities, and affiliated companies to meet payment obligations.***

The company is partially dependent on cash received as dividends, loans, interest payments, capital reductions and other payments from subsidiaries to pay its obligations. The ability of subsidiaries to pay dividends, loans and other distributions to Enel Chile is subject to legal limitations such as dividend restrictions, fiduciary duties and contractual restrictions that may be imposed by local authorities.

In the past, Enel Chile has been able to access subsidiaries' cash flows, but future political and economic uncertainties, such as government regulations, economic conditions, and credit restrictions could affect future operational results, and Enel Chile may not be able to rely on the cash flows of these operations to pay the Company's debt.

Limits on dividends and other legal restrictions. The ability of any subsidiary that is not 100% owned by Enel Chile to deliver cash payments to the Company may be limited by fiduciary duties of Directors to the minority shareholders of these entities. Moreover, some subsidiaries may be required by law and applicable regulations to decrease or eliminate dividend payments. Because of these restrictions, subsidiaries may, under certain conditions, be prevented from delivering cash payments.

Contractual Restrictions. Restrictions on dividend distribution included in some of the subsidiaries' credit agreements may prevent dividends or other payments to shareholders if certain financial ratios are not met. In general, the credit agreements of Enel Chile prohibit any distribution if the company is in default.

Operating Results of Subsidiaries. The ability of subsidiaries to pay dividends or make loan payments or other distributions to Enel Chile is limited by its operational results. If any subsidiary's cash needs exceed its cash available, the combined entity cannot deliver cash to Enel Chile.

Any of the situations described above can adversely affect the business, operational results and financial condition of Enel Chile.



***Exchange rate risks can adversely affect results and the U.S. dollar value of dividends payable to ADS holders.***

The Chilean peso has been subject to devaluations and appreciations against the dollar and may have significant fluctuations in the future. Historically, a significant portion of combined debt has been denominated in U.S. dollars. Even though a substantial part of income is linked to the dollar (mainly in the generation business), the Company generally has and will continue to be considerably exposed to fluctuations in the peso against the U.S. dollar because of time lags and other limitations on adjusting rates to the dollar.

An important portion of operational cash flow is tied to the dollar. Therefore, Enel Chile aims to keep debt, in the Company and its subsidiaries, in one same currency; however, due to market conditions, this may not be possible. Because of this exposure, cash generated by subsidiaries could materially decrease as the local currency depreciates against the U.S. dollar. Future volatility in the exchange rate of the currencies in which we receive revenues or incur expenditures may affect our business, operational results and financial condition.

***We are involved in various litigation proceedings.***

Enel Chile is currently involved in various litigation proceedings that may result in unfavorable decisions or financial penalties against the company. The company will continue to be subject to future litigations that could have negative consequences for the business.

The financial condition or operational results could be adversely affected if Enel Chile does not achieve a positive outcome in the defense of these litigation cases or other claims and proceedings against the Company. For more information on litigation, see Note 33.3 of "Notes to Combined Financial Statements."

***Long-term energy supply contracts of subsidiaries are subject to market price fluctuations of certain commodities and other factors.***

In the generation business, the Company is economically exposed to fluctuations in the market price of determined products, because of the long-term energy sales contracts signed. Currently, 83% of annual expected generation is sold under contracts with a duration of at least 5 years at least. The company also has material obligations under long-term, fixed-price electricity contracts, such as the sale of parts. Prices in these contracts are indexed to the price of different raw materials, exchange rates, inflation and the market price for electricity. Any adverse changes to these indices would reduce the rates the Company charges in its long-term, fixed price electricity sales contracts could adversely affect the business, operational results and financial condition of Enel Chile.

In the distribution business, the company is also exposed to fluctuations in the price of energy. During 2016, some customers were capable of choosing their rate, under Chilean law, and even though they chose regulated rates in the past, opted for unregulated rates. These customers, either directly or in association with other customers, are tendering their energy needs given current rates, which are comparatively lower than regulated rates, which have generally been based on tendered contracts in the past at higher rates. Lower prices in the market could reduce the number of customers that choose regulated rates, and could opt for an energy provider, which would reduce the number of customers. This could adversely affect the business, operational results and financial condition of the Company.

***The controlling shareholder could have substantial influence over the Company and could have differing strategic visions with minority shareholders regarding the company's development.***

Enel owns 60.6% of the Company's share capital. As the controlling shareholder, Enel may determine the outcome of almost all important matters that require shareholder voting, such as the election of Board members, and, subject to legal and contractual obligations, the dividend policy. Enel can also exert influence over operations and business strategy. Enel's interests may in some cases differ from the interest of minority shareholders. For example, Enel conducts its commercial operations in the field of renewable energy sources in Chile through Enel Green Power S.p.A., in which the Company holds no capital interest. Any present or future conflict of interest affecting Enel could be resolved against the company's interest in these matters. Therefore, growth may be limited, which could adversely affect the business and operational results of Enel Chile.

***Environmental regulations and other factors can cause delays, prevent the development of new projects or increase operating expenses and capital expenditures.***

Subsidiaries are subject to environmental regulations, which, among other things, require environmental impact studies for future projects and permits from both local and national regulatory entities. Approval of these environmental impact studies may take longer than originally planned, and may also be retained by government authorities. Local communities, ethnic groups, or environmental activists, among others, could intervene in the approval process to delay or prevent the development of projects. They can also seek legal or other actions, with adverse consequences if they are successful.

Environmental regulations for current and future generation capacity may become more stringent, which would require increased capital investments. For example, Decree No 13/2011 of the Ministry of the Environment, enacted in January 2011 and published in June 2011, set stricter emission standards for existing thermoelectric plants which must be met between 2014 and 2016, and even stricter standards for new facilities or additional capacity. This regulation also requires the establishment of a continuous emission monitoring system, under which thermoelectric plants must carry out a monitoring system abiding by protocols and guidelines issued by the Environmental Superintendence. In abiding by new environmental regulation, all its thermoelectric plants must invest incrementally to install reduction systems to control their emissions. For example, the Company is adapting the Tarapacá thermoelectric plant by installing a desulphurizer and measures to reduce nitrous oxide emissions.





Any delay in complying with environmental standards constitutes a violation of regulations that establish effective emission limits on June 23<sup>rd</sup>, 2015 or June 23<sup>rd</sup>, 2016, depending on the plant's location; failure to certify the correct implementation of these monitoring systems can result in penalties. For example, during 2016, Enel Generación paid fines of \$ 1.1 billion related to exceeding emission limits or failing to send reports for the Bocamina, Huasco and Diego de Almagro plants in previous years.

Currently, the Ministry of Environment is working on a new prevention and decontamination plan and new mitigation plans to comply with the Paris Treaty on climate change, which could modify Decree 13/2011, and even further restrict emission standards for thermoelectric plants, which could mean additional investments in the future.

In September 2014, the Chilean government enacted Law No 20,780 (fiscal law reform) which established an annual tax on conventional electricity generators, such as thermal generators, based on their polluting emissions from the previous year, which will be in force by 2018. In December 2016, the Ministry of Environment published a list of all thermal generators to be affected by this tax, and it includes all the Company's thermal plants. These plants must report their emissions during 2017 and will have an additional tax in 2018. The cost of this tax could increase in the future, discouraging thermal generation as the costs of operation increase.

In December 2016, Enel Generación Chile recorded a penalty of \$ 1 billion for the Tames 2 and Totorillo thermal projects, given that their technology (coal-fueled steam turbine) have increased costs due to stricter regulation and uncertain profits, among other reasons.

The Company could incur additional expenses to remedy and implement an asbestos sanitation and control policy, or otherwise be subject to legal actions against the Company, which could have an adverse effect on the operational results and financial condition of Enel Chile.

Besides environmental concerns, other factors that could affect the Company's ability to build new facilities or complete existing projects in time exist, which include delays in obtaining regulatory authorization, shortages or increases in the price of equipment, materials, or labor; strikes; adverse climatic conditions and natural disasters, and accidents and other unforeseen events. Any such event can adversely impact operational results and financial condition.

Delays or modifications to any project and changes in laws and regulations or their interpretations can adversely affect operations or plans for companies of vested interest to Enel Chile, which could adversely affect the Company's business, operational results and financial condition.

***Our business may be adversely affected by judicial decisions on environmental qualification resolutions for electricity projects in Chile.***

The time required to obtain an environmental qualification resolution for an electricity generation or transmission project in Chile has increased significantly, mainly due to legal actions against this type of projects, environmental opposition, public criticism, and government delays. This may cast doubt on the ability of a project to obtain such approval and increase the uncertainty of investment in power generation and transmission projects in Chile. Uncertainty forces companies to reevaluate their business strategies.

***Power plant projects can face significant opposition from different groups that may delay their development, increase costs, and tarnish, or potentially damage, the reputation and image of Enel Chile in the eyes of its stakeholders.***

Reputation is the foundation of the relationships the Company has with its stakeholders and other interested parties.

If the company cannot effectively manage problems or identify those that could negatively affect public opinion towards the Company, and adversely affect the operational results or financial condition of Enel Chile.

The development of existing and new generation plants may encounter opposition from various interest groups, such as ethnic and environmental groups, landowners, farmers, local communities and political parties, among others, which may affect the reputation of the Company in charge of the plant and its image. For example, since December 2013, the Bocamina II plant power has encountered considerable opposition from local fishermen unions, who claim that generation plants damage marine life and cause pollution, which led to the interruption of operations for more than one year. On July 1<sup>st</sup>, 2015, Bocamina II resumed operations, after the approval of a new RCA in April 2015. Also, between November 23<sup>rd</sup>, 2015 and January 7<sup>th</sup>, 2016, a new group of fishermen illegally occupied the first high voltage tower, which supports the 154 kV and 220 kV circuits owned by Transelec S.A., which feed power plants Bocamina I and Bocamina II. As a consequence, Bocamina I and Bocamina II ceased operations temporarily. This group asserted that they should receive the same benefits package that Endesa Chile (now Enel Generación Chile) granted to the rest of the zone's fishermen. The financial outcome of temporary interruption in electricity supply and illegal occupation amounted to US\$3.8 million, (\$ 2.3 billion, using end-of-year 2016 exchange rate) of the loss of contribution margins between November 23<sup>rd</sup>, 2015, and January 7<sup>th</sup>, 2016. At the electricity system level, this incident affected the increasing global costs of supplying demand and increased the spot price and expected use of hydroelectric reserves. These groups and other similar groups could block the plants and directly affect the results of Enel Chile.

Current operations in thermal plants may affect the Company's reputation with stakeholders because of particulate matter, SO<sub>2</sub> and NO<sub>2</sub> emissions, which could be detrimental to the environment.

Damage to the Company's reputation may put considerable pressure on regulators, creditors, and other stakeholders, and may ultimately lead to projects and operations not being optimally developed, leading to a decrease in stock value, causing difficulties in attracting or retaining talent, which may result in damage to the Company's name with these stakeholders.



***The business may experience adverse consequences if the Company is unable to reach satisfactory collective bargaining agreements with workers.***

A significant percentage of employees are unionized and have collective bargaining agreements, which must be renewed on a regular basis. The Company's business, financial condition, and operational results may be adversely affected if agreements with any of the unions that represent employees fail, or if an agreement with a workers' union contains conditions deemed unfavorable by the Company. Chilean Law establishes legal mechanisms so that judicial authorities impose labor agreements if the parties are incapable of reaching agreements on their own, which may increase costs beyond what is budgeted.

Also, many employees have highly specialized skills, and certain incidents such as strikes, abandonment of duties or suspensions by employees may adversely affect the Company's operational performance and financial condition, as well as reputation.

***Interruption or failure of the information technology and communication systems or external attacks or invasions to these systems could have an adverse effect on operations and results.***

Enel Chile relies on information technology, communication and process systems ("IT systems") to operate the business, so any failures in these systems could adversely affect the Company's businesses, financial condition, and operational results.

IT systems are essential for generation subsidiaries' ability to monitor the operations of power plants, maintain generation and network performance, properly generate invoices for customers, achieve operational efficiency and meet operational objectives and service standards. Distribution subsidiaries can also be affected as they heavily rely on IT systems to monitor networks, bill millions of customers and maintain its customer service platforms. Temporary or long-term operational failures in any of these IT systems could have material adverse effects on operating results. Additionally, cyber-attacks could have an adverse on the company's image and relationship with the community.



In recent years, global cyber-attacks on security systems, IT systems, and financial operations have intensified. Enel Chile is exposed to cyber-terrorist attacks that aim to damage the Company's assets through computer networks, cyber-espionage in search of strategic information that may be beneficial for third parties, and cyber-theft of confidential information, including information of Enel Chile's customers. The company is exposed to several types of cyber-attacks, including massive attacks that cause services to become unavailable to users and attacks that target domain systems which can prevent access to certain useful websites.

Enel Chile has suffered cyber-attacks by cyber-terrorists in the past, which resulted in service interruptions. More cyber-attacks can occur and may adversely affect the Company in the future.



***The Company trusts electricity transmission services it does not own or control. If these facilities do not provide an adequate transmission service, delivering energy sold to end customers may not be possible.***

To deliver the energy it sells, Enel Chile depends on transmission systems belonging to other unrelated companies and operated by them. This dependency exposes the Company to several risks. If transmission is interrupted or transmission capacity is inadequate, recovering the cost of sales and profits may be insufficient. If restrictive pricing regulation is imposed on transmission, the transmission companies that Enel Chile relies on may not have sufficient incentives to invest in expanding transmission infrastructure, which may adversely affect operations and financial results. Currently, construction of new transmission lines is delaying more than in the past, mainly due to new social and environmental requirements that are creating uncertainty regarding the probability of completing the projects.

Also, increases in new non-conventional renewable energy (ERNC, in its Spanish acronym) projects is congesting current transmission systems, as these projects are built relatively quickly, while construction of new transmission projects may take longer. In May 2014, the government of Chile announced the Energy Agenda, a plan that establishes the creation and implementation of a long-term energy policy, which includes amendments to the legal framework of energy transmission, mainly the interconnection between the Central Interconnected System ("SIC") and the Norte Grande Interconnected System ("SING").

On September 24<sup>th</sup>, 2011, approximately 10 million people in central Chile experienced a blackout (affecting more than half the inhabitants of Chile) due to a failure in Transelec's 220 kV Ancoa substation, which produced an interruption in the SIC 500 kV double circuit line and the subsequent failure of the remote recovery computer software used by the Economic Cargo Dispatch Center (CDEC, in its Spanish acronym) to operate the grid. This blackout, which lasted two hours, exposed the transmission system's fragility, and the need to increase investment in expansion and technological improvements to increase the transmission grid's reliability.







Any similar interruption or failure in transmission facilities could disrupt the business, adversely affect operational results and financial condition.

***The relative liquidity and volatility of the Chilean securities market could negatively affect the price of stock and ADS.***

Chilean securities markets are substantially smaller and illiquid than major securities markets in the United States. Also, Chilean markets may be affected by incidents in other emerging markets. Illiquidity may impair ADS holders' ability to sell common stock withdrawn from the ADS program to the Chilean market in the amount, price and time of their convenience.

Chilean securities markets may also be affected, to different degrees, by the economy and market conditions in other Latin American countries, other emerging markets and the rest of the world. Even though economic conditions in these countries may differ significantly with conditions in Chile, investors' reactions to evolution in any of these countries may have an adverse effect on the market's value and liquidity of Chilean issuing instruments. An increase in perceived risk associated with investment in Latin American countries may discourage capital inflow to Chile and negatively affect the Chilean economy in general, but investors' interests in stock of Enel Chile or ADSs in particular.

No guarantees exist in any potential market for shares and ADSs on liquidity or price.

***Lawsuits presented against the Company outside Chile or claims against Enel Chile based on foreign legal concepts may be unsuccessful.***

All the Company's assets are located outside the United States. All board members and all senior executives reside outside the United States, and most of its assets are located outside the United States. If any shareholder were to file a lawsuit in the United States against any board member, senior executive or expert of Enel Chile, pursuing legal process within the United States against such persons, or enforce a judgment rendered in the courts of the United States or Chile based on civil liability provisions of federal securities laws in the United States, it could be hard to achieve. Also, there is doubt as to whether an action could be brought successfully in Chile on the basis of liability based solely upon the civil liability provisions of the United States federal securities laws.





# Corporate Reorganization





# Corporate Reorganization

The reorganization proposal, which concluded with the creation of Enel Chile, began in April 2015 when the Board of Directors of Enersis S.A. informed its intention to study a reorganization process with the purpose of separating generation and distribution activities carried out in Chile from those conducted in the rest of the region. The Boards of Empresa Nacional de Electricidad S.A (Endesa Chile, currently Enel Generación Chile) and Chilectra S.A (currently Enel Distribución Chile) in April 2015, also agreed to begin studies to analyze the potential reorganization that would later determine the spin-off of each company, Endesa Chile and Chilectra Chile, respectively.

Both the Board of Directors and the Directors' Committee reviewed the background information and, by a majority of its members, resolved that the reorganization operation, as it was proposed, would contribute to the best interest of the Company.

The Reorganization was performed in two stages: first, separating the Chilean activities from the activities performed in other countries by dividing Endesa Chile and Chilectra, and creating two new companies (Endesa Américas S.A. and Chilectra Américas S.A.). During

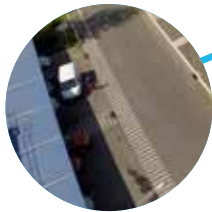
this first stage, Enersis was also divided creating a new company named Enersis Chile S.A. (currently Enel Chile). The existing Enersis changed its name to Enersis Américas S.A. (currently Enel Americas S.A.) to control Enel Group's businesses in other countries in the region.

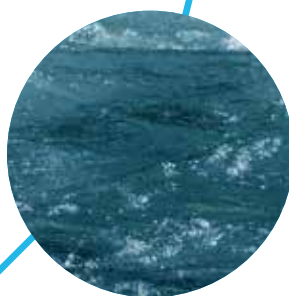
On March 1<sup>st</sup>, 2016, having complied with the conditions precedent, the Division of Enersis S.A. took place, and on that same day, Enersis Chile S.A. (currently Enel Chile) was created.

The objective of the reorganization is, on the one hand, to differentiate the geographical areas that currently have different growth drivers allowing to offer a service that focuses on the problems and opportunities of each region. On the other hand, continue simplifying the structure of the Group in Latin America reducing the consolidation of minority shareholdings and improving the alignment with strategic interests; and finally, implement a strategy that allows increasing operational efficiency, business growth and also have a differentiated shareholder return policy.

Later, during the second stage, on December 1<sup>st</sup>, 2016, these three companies with assets outside Chile merged into Enersis Américas S.A. (currently Enel Americas).







## Industry Regulation and Electricity System Operation

Enel Chile, its subsidiaries and jointly controlled companies participate in the generation, transmission, distribution, and trading of electricity in Chile. The following is a summary of the main legal bodies that regulate the industry, its structure, and operations.

## Regulatory Framework

Chile's electricity sector is regulated by the Chilean Electricity Law, included in the Ministry of Mining DFL No 1, 1982, whose restated and coordinated text was determined by the Ministry of the Economy DFL No 4, 2006 (the "Electricity Law") and its corresponding regulations included in DS No 327, 1998. Three government entities are responsible for the application and compliance with the Electricity Law: the National Energy Commission (CNE in its Spanish acronym), which has the authority to propose regulated tariffs and to prepare indicative plans for the construction of new generating units; the Superintendence of Electricity and Fuels (SEC in its Spanish acronym), which controls and monitors compliance with the laws, regulations and technical standards for electricity generation, transmission and distribution, liquid fuels and gas; and lastly, the Ministry of Energy, which is responsible for proposing and conducting public policies regarding energy and oversees the SEC, CNE and the Chilean Nuclear Energy Commission (CChEN in its Spanish acronym), strengthening coordination and allowing for an overall view of the sector.

The Ministry of Energy also oversees the Energy Efficiency Agency and the National Center for Innovation and Development of Sustainable Energies (CIFES in its Spanish acronym) that replaced the Center for Renewable Energies (CER in its Spanish acronym) in November 2014. The law also establishes the existence of a panel of experts whose primary objective is to solve the discrepancies between the different electricity market players: electricity companies, system operator, and regulatory entities, among others.

From a physical point of view, the electricity sector in Chile is divided into four interconnected electricity systems: the Central Electricity Grid (SIC in its Spanish acronym), the Northern Electricity Grid (SING in its Spanish acronym), and two medium-sized isolated systems in Aysén and Magallanes. The SIC is the main grid and extends 2,400 km from Taltal in the north to Quellón on the island of Chiloé to the south. The SING covers the northern part of the country, from Arica to Coloso, and extends 700 km. The interconnection of the SIC and the SING is currently under development.

The electricity industry in Chile is divided into three segments or businesses: generation, transmission, and distribution. Operations are interconnected and in coordination. The main objective is to supply electricity at the minimum cost with certain safety and quality standards required by electricity regulation. Transmission and distribution activities are considered natural monopolies and are therefore regulated as such. The industry regulation determines free access to electricity networks and regulated tariffs.

According to the Electricity Law, the Chilean electricity market is coordinated by an independent public entity, the National Electricity Coordinator whose purpose is to operate the existing Central Interconnected System and Northern Interconnected System, soon the National Interconnected System, efficiently and safely. The National Electricity Coordinator is also responsible for the calculation of the marginal hourly cost, which is the price of energy transfers between electricity generation companies.



# Limits to integration and concentration

In Chile, competitive market legislation along with specific regulation applicable to the electricity industry, define criteria to avoid certain levels of market concentration and abusive practices.

Companies are allowed to participate in the different industry segments (generation, distribution and commercialization) in so far as an adequate level of corporate and accounting separation exists. The transmission sector is where most restrictions are imposed, mainly due to the nature of the activity and the need to guarantee adequate access to all players. The electricity law defines limits to the market share of the domestic transmission business that generation companies and distribution companies may have and prohibits transmission companies from participating in the generation and distribution segments.

(ii) Distribution companies: They supply their regulated customers through public tenders regulated by the CNE, and supply their free or nonregulated customers through bilateral contracts.

(iii) Spot or short-term market: It refers to the transactions of energy and capacity between generation companies resulting from the efficient operation of the system which is coordinated by the National Electricity Coordinator. The surplus (deficit) of production after supplying customer commitments are transferred by selling (buying) to (from) other generators connected to the system. Electricity transfers are priced at the marginal cost of the system. Capacity transfers are carried out at the corresponding node price, as set every semester by the authority.

In Chile, capacity payments to each generator depend on the calculation performed annually by the National Electricity Coordinator, which determines the firm capacity of each power plant. Firm capacity does not depend on power plant dispatch.

## Electricity Generation Segment

The operations of generation companies are conditioned by the system coordinator's Operations Plan, although they may freely decide whether to sell their energy to either regulated or nonregulated customers. Any surplus or deficit between sales and production is sold to or bought from other generators at the spot market price.

A generation company may have the following types of customers:

(i) Free or nonregulated customers: They are customers whose connected capacity is greater than 5,000 kW, mainly industrial and mining companies. These customers may freely negotiate their electricity supply prices with generators or distributors. Customers whose connected capacity ranges between 500 and 5,000 kW may choose to negotiate prices with their suppliers or be subject to regulated tariffs, for a minimum of 4 years in either regime.



# Non-conventional renewable energies

Law No 20,257 enacted in April 2008 creates incentives to use non-conventional renewable energies (NCRE). This rule determines that by 2014, 5% of energy commercialized by generators must be renewable and must increase 0.5% every year from 2015 until 2024 to reach 10%. This law was modified in 2013 by Law No 20,698, called the 20/25 law, establishing that by 2025, 20% of the electricity matrix must be covered by NCRE sources. For contracts in force up to July 2013, the withdrawals established by the previous law are to be respected.



# Electricity Transmission Segment

Transmission systems are comprised of lines and substations that are not distribution installations. They are divided into five segments: National Transmission, Development Pole Transmission, Zonal Transmission, and Dedicated Transmission. International Interconnection Systems also belong to the transmission segment and are ruled by specific regulation.

Transmission installations are open access to any user that requests it, without discrimination. The compensation for existing transmission installations, either national or zonal, is determined through a tariff setting process performed every four years. This process determines the Transmission Value Added, based on efficient operations and management costs and an annual charge to cover the investment, determined by a discount rate (minimum 7% after tax) set by the authority every four years based on a study and the useful life of assets.

The development of the national and zonal transmission systems is determined by a regulated and centralized process carried out by the National Coordinator, which presents an expansion plan every year, and that must be approved by The National Energy Commission. The expansion of both systems is implemented through open bids. It discriminates between new transmission facilities that are awarded through open bids to any supplier and expansion projects of existing facilities that have an owner and therefore the expansion belongs to such owner. The remuneration of the expansion of existing facilities is determined by the outcome of the bid and represents the income for the first 20 years of operations. From year 21 on the remuneration of such transmission facilities is determined as existing assets.

# Electricity Distribution Segment

For regulatory purposes, the distribution segment is defined as all electricity supplied to end customers, at a voltage not exceeding 23kV. Distribution companies operate under the framework of a public service concession, having the obligation to provide electricity to regulated customers at regulated tariffs.

Consumers are classified according to the size of their demand into regulated customers and nonregulated customers. Regulated customers are those whose connected capacity is under 5,000 kW. Customers with connected capacity from between 500 and 5,000 kW may choose between a regulated price scheme and an unregulated price scheme.

Distribution companies supply electricity to both regulated and unregulated customers. Service to regulated customers is provided under conditions



regulated by law. The conditions of service provided to unregulated customers are freely negotiated and agreed upon in bilateral contracts between the customer and the electricity company (generation or distribution companies).

Regarding the electricity service to regulated customer, the law determines that distribution companies must permanently provide electricity and through open, non-discriminatory, and transparent public tenders. These tenders are designed by the CNE and are carried out at least five years in advance to award 20-year term contracts. If demand changes unexpectedly, the authority has the power to call a short term tender and also a regulated procedure to remunerate non-contracted electricity sales.

The processes for setting distribution tariffs are carried out every four years to establish the distribution value added based on the fixed costs, average energy losses, and standard distribution costs of model companies. The CNE and the distribution companies, grouped according to the characteristics of their service area, hire an independent consultant to carry out studies to determine the distribution value added. The final distribution value added is determined as a weighted average, one-third of the value estimated by the study of the companies and two-thirds by the CNE. The CNE then determines the basic tariffs and verifies that the aggregate return of the industry is within the 10% plus/minus 4% range.

Additionally, every four years, when the distribution value added is being calculated, the related services, as determined by the Antitrust Court to be subject to price regulation, are reviewed.

The Chilean distribution model is a consolidated model, because to this date, eight price-settings processes have been carried out since the privatization of the sector.

## National Energy Policy

On May 15<sup>th</sup>, 2014, the Minister of Energy released the “Energy Agenda,” a document outlining general guidelines for the energy policy of the new government. In this context, on February 29<sup>th</sup>, 2016, the Ministry of Energy published in the Official Gazette the approval of the National Energy Policy contained in the document entitled “Energía 2050: Política Energética de Chile” (the “National Energy Policy”), establishing a long-term strategy for the electricity sector. The National Energy Policy is based on four pillars: Safety and Quality of Supply, Energy as a Development Engine, Compatibility with the Environment, and Efficiency and Energy Education.

## Law No 20,928 - Tariff Equality Law

On June 22<sup>nd</sup>, 2016, the Ministry of Energy published Law No 20,928 in the Official Gazette, establishing tariff equality mechanisms for electricity services, amending the Electricity Law (DFL No 4) of 2006. This law states that the maximum tariffs that distribution companies may charge to residential customers must not exceed the average national tariff by more than 10%. The differences arising from the application of this mechanism will be progressively absorbed by the rest of the customers subject to regulated prices that are under the aforementioned average, except for those residential customers whose monthly average consumption of energy in the prior calendar year was lower than or equal to 200 kWh.

The Law also establishes a discount on the energy component of the node price that distribution companies supply to regulated customers located in districts with intensive energy generation and that are part of a grid with more than 200 MW of installed capacity.



# Law No 20,936 – Transmission Law

On July 20<sup>th</sup>, 2016, the Transmission Law was published in the Official Gazette, restructuring the electricity system operation model, introducing a single independent national operating agent (without prejudice to the continued existence of some medium and isolated electricity systems) that replaces the Economic Dispatch Center, CDEC (in its Spanish acronym). Also, the Law assigns the government a key role in transmission planning and subsequent bidding and awarding of new projects and expansion projects. Open access is granted to all transmission facilities. The Law, among other relevant aspects, unifies all transmission segment's qualification processes in a single process and modifies the remuneration scheme by applying a stamped rate to the demand side.

# Distribution Law

On September 29<sup>th</sup>, 2016, the Seminar entitled "The Future of Electricity Distribution" took place formally opening the discussion on the new national electricity distribution law.

The process was led by the Secretary of Energy in collaboration with the university Pontificia Universidad Católica de Chile. During November and December 2016, and until late January 2017, workshops were carried out discussing the following issues: "Development of the distribution network", "Financing the Network of the Future and its Tariff Structure", "Electricity Distribution Business Model", and "Services offered by the Network of the Future".



# Tariff Revisions and Supply Processes

## Transmission Tariff Setting

In 2012, the tariff setting process for distribution and distribution-related services to be applied for the 2012 – 2016 period was carried out. The results of the process were published in the Official Gazette through Decree No 1T. As determined by the regulation, such tariffs were effective until November 3<sup>rd</sup>, 2016.

In late 2015, the National Energy Commission (CNE in its Spanish acronym) began the 2016 – 2020 tariff setting process by publishing Exempted Resolution No 699 communicating the definition for Typical Areas, the terms for the “Distribution Value Added 2016 – 2020 Study”,

and the terms for the “Cost Study of Services related to Electricity Distribution”.

The CNE defines six Typical Areas, each with separate tariffs, and Enel Distribución Chile was categorized within Typical Area No 1, as in the prior tariff process, reflecting the higher density of its network and, therefore, lower costs as compared to other companies in the industry. The subsidiaries Empresa Eléctrica de Colina and Luz Andes were categorized, as in the prior tariff process, within Typical Areas No 4 and No 2, respectively. In February 2016, the CNE published in the Official Gazette, Exempted Resolution No 83 containing the list of the qualified independent consulting firms eligible to be chosen by the distribution companies to carry out the tariff studies. In April 2016, Enel Distribución Chile selected Consultor Syste Ingeniería y Diseños S.A. to carry out the Distribution Value Added 2016 – 2020 Study.

On September 5<sup>th</sup>, 2016, Enel Distribución Chile submitted the tariff study to the government authority as required by Law.

The 2016-2020 tariff setting process is currently in progress and will conclude once the tariff decree is released and applicable, retroactively, as of November 4<sup>th</sup>, 2016.



The tariffs applicable in 2016 to end customers were determined based on the following decrees:

i) Decree No 1T published in the Official Gazette on April 2<sup>nd</sup>, 2013, set the tariff formulas applicable to regulated customers. Tariffs were retroactively applied as of November 4<sup>th</sup>, 2012 until November 3<sup>rd</sup>, 2016.

ii) Decree No 14 published in the Official Gazette on April 9<sup>th</sup>, 2013, set the tariffs and indexation formulas applicable to the sub transmission and additional transmission systems. Tariffs were retroactively applied as of January 1<sup>st</sup>, 2011 until December 31<sup>st</sup>, 2015. Subsequently, Decree No 7T extended the effective date until December 31<sup>th</sup>, 2015.

iii) Tariff Decrees:

a) Average Node Prices:

- On January 4<sup>th</sup>, 2016, the Ministry of Energy published in the Official Gazette, Decree No 22T, setting the node prices for energy supply, retroactively applied from September 1<sup>st</sup>, 2015.
- On January 21<sup>st</sup>, 2016, the Ministry of Energy published in the Official Gazette, Decree No 24T, setting the node prices for energy supply, retroactively applied from November 1<sup>st</sup>, 2015.
- On March 4<sup>th</sup>, 2016, the Ministry of Energy published in the Official Gazette, Decree No 1T, setting the node prices for energy supply, retroactively applied from January 1<sup>st</sup>, 2016.

- On May 23<sup>rd</sup>, 2016, the Ministry of Energy published in the Official Gazette, Decree No 4T, setting the node prices for energy supply, retroactively applied from March 1<sup>st</sup>, 2016.
- On June 17<sup>th</sup>, 2016, the Ministry of Energy published in the Official Gazette, Decree No 7T, setting the node prices for energy supply, retroactively applied from April 1<sup>st</sup>, 2016.
- On August 6<sup>th</sup>, 2016, the Ministry of Energy published in the Official Gazette, Decree No 8T, setting the node prices for energy supply, retroactively applied from May 1<sup>st</sup>, 2016.
- On September 1<sup>st</sup>, 2016, the Ministry of Energy published in the Official Gazette, Decree No 9T, setting the node prices for electricity supply as part of Law No 20,928 on Tariff Equality in relation to the Local Generation Acknowledgement, retroactively applied from August 1<sup>st</sup>, 2016.

b) Short-Term Node Prices:

- On July 2<sup>nd</sup>, 2016, the Ministry of Energy published in the Official Gazette, Decree No 5T, setting the short-term node prices for energy supply, retroactively applied from May 1<sup>st</sup>, 2016.
- As of this date, the decree applicable to December 2016 has not been published.



# Sub Transmission Tariff Setting

The sub transmission tariffs are set every four years. The sub transmission entities, grouped by system based on the qualification of their facilities as ruled by the National Energy Commission, are subject to a tariff setting process to determine the Sub transmission System's Annual Value, which allows to set the tariffs applicable to the use of the sub transmission systems.

On January 29<sup>th</sup>, 2015, Law No 20,805 was published in the Official Gazette, which, among other matters, entitled the Ministry of Energy to extend in one more year the effective date of Decree CNE No 14 of 2012, which set the sub transmission tariffs for the 2011 – 2014 period (i.e., such decree would be effective for the 2011 – 2015 period), and also to extend in one more year the effective date of the tariff setting process for the period 2015 – 2018 (i.e., 2016 – 2019).

Consequently, on April 22<sup>nd</sup>, 2015, the Ministry of Energy published in the Official Gazette, Decree No 7T, extending the effective date of the sub transmission tariff decree and expressly stating the tariffs to be applicable as of January 1<sup>st</sup>, 2016.

Notwithstanding the above, on July 20<sup>th</sup>, 2016, Law No 20,936 was published, setting the new regulatory framework for electricity transmission systems, including sub transmission. According to Article eleven of the transitory provisions of Law No 20,936, the effective date was extended again (Decree No 14 of 2012) to December 31<sup>st</sup>, 2017.

Regarding the 2016 – 2017 tariff period, on December 29<sup>th</sup>, 2016 Exempted Resolution No 940 was published, which defined the necessary adjustments to Decree No 14 to extend its effective date to include 2016 and 2017. The main adjustment is related to exempting electricity generation power plants from paying for using sub transmission systems if they inject their generation into the system through sub transmission lines.

The 2016 – 2019 tariff setting process will continue its progress, and in accordance with Article eleven of the transitory provisions of Law No 20,936, the results will be used for the tariffs to be applied to the 2018 – 2019 period.





# Tariff Setting of Electricity Distribution-Related Services

On March 14<sup>th</sup>, 2014, the Ministry of Energy published in the Official Gazette, Decree No 8T, that sets the prices for electricity distribution-related services. These prices are applicable from the date the decree was published, not retroactively, and they are currently still effective.

During late 2015, the CNE through Exempted Resolution No 699 communicated, among other matters, the terms for the “Cost Study of Services related to Electricity Distribution Supply” as part of the 2016 – 2020 tariff setting process.

The terms identify five new electricity distribution-related services, of which the most significant are “Construction and installment of temporary junctions” and “Lease of temporary junctions”.

As of year-end 2016, the decree to set new tariffs has not been published.

# Electricity Tenders

Under the new tender’s law, two processes have been carried out: Supply Tender No 2015/01 and Supply Tender No 2015/02.

The 2015/02 process began in June 2015 and ended in October 2015. The outcome resulted in three energy blocks awarded for a total of 1,200 GWh per year (100%). The weighted average price of the tender was US\$ 79.3 per MWh, representing a 30% reduction as compared to the prices of prior tenders, which indicates that the amendments to the Law have effectively reduced prices by increasing competition and reducing risks for generators.

The 2015/01 process began in May 2016 and ended in July 2016. The outcome resulted in five energy blocks awarded for a total of 12,430 GWh per year (100%) to 84 companies, including new market players, at a weighted average price of US\$ 47.6 per MWh.

Enel Generación Chile was awarded 5,918 GWh per year, which represents 47.6% of the total energy awarded.







## Electricity Generation



The electricity generation business is mainly carried out through our subsidiary Enel Generación Chile.

The total installed capacity of Enel Generación Chile was 6,351 MW as of December 2016, consolidated electricity generation amounted to 17,564 GWh, and electricity sales reached 23,689 GWh.

The segmentation of the business into hydroelectric and thermal electric generation is natural because the variable costs for each type of generation are different. Thermal generation requires the purchase of fossil fuels and hydroelectricity requires water reservoirs and rivers.

Hydroelectric sources represent 55% of the Company's consolidated installed capacity, thermal electric sources represent 44% and non-conventional renewable sources 1%.

Therefore, the commercial policy defined is relevant to manage the Company correctly.

## Electricity Generation Operations

Enel Generación Chile and its subsidiaries have a generating park comprised by 103 units spread out on the Central Interconnected Grid (SIC in its Spanish acronym) and 8 units on the Northern Interconnected Grid (SING in its Spanish acronym).





# Generation Power Plants of Enel Generación Chile and Subsidiaries

		Installed capacity (MW) <sup>(1)</sup>		
Power Plant	Company	Technology	2015	2016
Los Molles	Enel Generación Chile	Hydroelectric	18	18
Rapel	Enel Generación Chile	Hydroelectric	377	377
Sauzal	Enel Generación Chile	Hydroelectric	77	77
Sauzalito	Enel Generación Chile	Hydroelectric	12	12
Cipreses	Enel Generación Chile	Hydroelectric	106	106
Isla	Enel Generación Chile	Hydroelectric	70	70
Abanico	Enel Generación Chile	Hydroelectric	136	136
El Toro	Enel Generación Chile	Hydroelectric	450	450
Antuco	Enel Generación Chile	Hydroelectric	320	320
Ralco	Enel Generación Chile	Hydroelectric	690	690
Palmucho	Enel Generación Chile	Hydroelectric	34	34
Taltal	Enel Generación Chile	Fuel/Natural gas	245	245
Diego de Almagro	Enel Generación Chile	Fuel/Natural gas	24	24
Huasco TG	Enel Generación Chile	Fuel/Natural gas	64	64
Bocamina	Enel Generación Chile	Coal	478	478
San Isidro	GasAtacama Chile	Fuel/Natural gas	379	379
San Isidro 2	GasAtacama Chile	Fuel/Natural gas	399	399
Quintero	Enel Generación Chile	Fuel/Natural gas	257	257
Ojos de Agua	GasAtacama Chile	Hydroelectric	9	9
Pehuenche	Pehuenche	Hydroelectric	570	570
Curillinque	Pehuenche	Hydroelectric	89	89
Loma Alta	Pehuenche	Hydroelectric	40	40
Pangue	GasAtacama Chile	Hydroelectric	467	467
Canela	GasAtacama Chile	Wind	18	18
Canela II	GasAtacama Chile	Wind	60	60
Tarapacá TG	GasAtacama Chile	Fuel/Natural gas	24	24
Tarapacá carbón	GasAtacama Chile	Coal	158	158
Atacama	GasAtacama Chile	Diesel /Natural gas	781	781
<b>Total</b>			<b>6,351</b>	<b>6,351</b>

(1) These figures result from the maximum capacities determined by Enel Generación Chile's Operational Norm No 38 "Regulation for defining maximum capacity in the hydroelectric and thermal plants of Enel Generación Chile, as of December 31<sup>st</sup> each year. They are the maximum design capacity of the generating units, corroborated with contractual satisfaction guaranteed tests made by the manufacturer of the generating equipment, in most cases. In some cases, the figures of maximum capacity may differ from the capacity declared to the regulatory authority and customers in each country, due to criteria defined by these entities and compliance to the corresponding contractual frameworks.



In 2016, electricity sales of Enel Generación Chile and its subsidiaries in the SIC reached 21,588 GWh, which represents a 43% share of total sales on the SIC, including sales to customers and net sales on the spot market. Sales to regulated customers represented 86% of total sales, non-regulated customer sales represented 14% and net spot market sales represented 1%. Also, electricity sales in the SING reached 2,101 GWh in 2016, which represents a 12% share of total sales on the SING.

# Enel Generación Chile and Subsidiaries' Installed Capacity, Generation and Energy Sales

	Installed capacity (MW) <sup>(1)</sup>	
<b>Installed capacity (MW) <sup>(1)</sup></b>	2015	2016
Enel Generación Chile	3,757	3,757
Pehuenche S.A.	699	699
Celta S.A. <sup>(3)</sup>	1,115	1,115
GasAtacama	781	781
<b>Total</b>	<b>6,351</b>	<b>6,351</b>
<b>Generation <sup>(2)</sup></b>	2015	2016
Enel Generación Chile	10,450	11,538
Pehuenche S.A.	2,959	2,369
Celta S.A. <sup>(3)</sup>	3,624	2,429
GasAtacama <sup>(3)</sup>	1,270	1,229
<b>Total</b>	<b>18,294</b>	<b>17,564</b>
<b>Sales</b>	2015	2016
<b>Sales to end customers</b>		
Enel Generación Chile	20,490	21,105
Pehuenche S.A.	281	340
Celta S.A. <sup>(3)</sup>	981	930
GasAtacama <sup>(3)</sup>	189	463
Spot market sales	1,618	852
<b>Total</b>	<b>23,558</b>	<b>23,689</b>

(1) These figures result from the maximum capacities determined by Enel Generación Chile's Operational Norm No 38 "Regulation for defining maximum capacity in the hydroelectric and thermal plants of Enel Generación Chile, as of December 31<sup>st</sup> each year. They are the maximum design capacity of the generating units, corroborated with contractual satisfaction guaranteed tests made by the manufacturer of the generating equipment, in most cases. In some cases, the figures of maximum capacity may differ from the capacity declared to the regulatory authority and customers in each country, due to criteria defined by these entities and compliance to the corresponding contractual frameworks.

(2) Refers to total generation after deducting own consumption and transmission losses.

(3) Celta S.A. was absorbed by GasAtacama Chile S.A. on November 1<sup>st</sup>, 2016.



# Operational and Commercial Scenario

## Overall scenario

The hydrology in the Central Interconnected System (SIC) was, on average, drier than 2015. This has been the trend over the past seven years, since 2010, experiencing a slight improvement in 2014 and 2015, which led to a reduction in the hydroelectric contribution to the system and an increase in thermal generation in 2016 when compared to 2015.

Notwithstanding the above, generation costs and prices on the SIC were, on average, lower than in 2015 mainly because: i) fuel prices remained low, even lower than 2015; ii) 700 MW of new generation capacity entered the SIC, of which slightly more than 90% was renewable energy with zero variable generation costs, and iii) as in 2015, electricity consumption maintained its slow trend growing less than 2% compared to the previous year.

Regarding thermal generation, the greater generation of Bocamina's units 1 and 2 contributed to the lower cost of thermal generation in 2016. Bocamina restarted operations towards the end of the first semester of 2015, reached a high load factor from March through December of 2016 and was operational year round. Despite the fact that coal generation is the lowest cost thermal generation source of the system.

The operations of Bocamina unit 2 were interrupted from December 2013 until 2015 due to legal issues. Later, towards the end of 2014, a Supreme Court ruling set a condition to restarting the operations of the power plant. The condition was to develop an optimization project consisting of techno-environmental improvements. Specifically the installation of advanced technology filters in the water suction process of cooling, a real time air quality control monitoring system and covering the coal fields. The high load factor of the power plant in 2016 is proof that the Company has fully complied with its commitment. The first two projects concluded in 2015 and in 2016 were operational all year. With regard to installing a roof on the coal fields, the largest of its kind in Latin America, the north field roofing concluded in December 2016 and the administrative process with the municipality should authorize operations as of March 2017. The construction of the south field roof will begin as soon as the municipal permission is received. These improvements contribute to the sustainability of Bocamina, a power plant that represents an important portion of the Company's production and operating margin, particularly in a dry year such as 2016.



# Main events that affected operational and commercial performance

The successful participation of Enel Generación Chile in the power supply bid for distribution companies is worth highlighting. The Company was awarded most of the energy tendered in the process, which concluded during the second semester of 2016. As of today, two tender processes have been carried out since the new law (Law No 20,805 passed in 2015) applicable to power bids was enacted. The first one was carried out in 2015 and concluded in October awarding 3 blocks amounting to 1,200 GWh/yr., all renewable energy, at a weighted average price of 79.3 US\$/MWh. This price was 30% lower than that the price of the previous tenders. The invitation to participate in the second bidding process, a considerably larger one, was in May 2015 requesting offers to be presented in 2016. The process ended in July 2016, having awarded 100% of the energy tendered in 5 blocks amounting to a total 12,430 GWh/yr. The contracts have a 20 year term, beginning with 42.5% in 2021 and the remaining 57.5% in 2022.

A total of 84 companies presented an offer in the 2016 bidding process. The companies awarded, including Enel Generación Chile, bid at an average price of about 50 US\$/MWh, with a significant participation of renewables, wind and solar, which were awarded a bit more than 50% of total energy tendered. Enel Generación Chile was the company awarded with the most contracts amounting to a total 5,918 GWh/yr., almost half (47.6%) of the energy tendered, to begin supplying in 2022. The advantages of the above are two-fold. It allows the Company to renew its contracts with distribution companies whose contracts were expiring during that period and therefore avoiding to be exposed to the spot market where prices are expected to be low due to the supply surplus projected for the short and long term, particularly for generation technology using renewable sources. It also allows Enel Generación Chile to maintain its leadership position in the market, and proving as such, its ability to adapt to the new market scenario, a more and more competitive one with a significant number of new entrants, particularly NCRE generators.

Due to the drought that had continued to affect the SIC, Enel Generación Chile signed an agreement with the hydraulic works authority (DOH in its Spanish acronym) overseen by the Ministry of Public Works and with the approval of the agricultural trade associations of the Laja basin, regarding the use of Laja reservoir water, similar to the agreements signed in previous years. This agreement refers to sharing the Laja reservoir when water is scarce due to drought conditions. Although this implies limitations for that both parties when compared to the original agreements, it offers flexibility to water extraction during critical times (months). The advantage of this agreement, is that on the one hand, it allows reducing conflict among users when scarcity is due to dry conditions and also has a positive impact on Enel Generación Chile's generation in the region and therefore on the operating margin of the Company.

The situations Enel Generación Chile has faced, both in the bidding process previously described as well as the persistent dry weather conditions since 2010 and other unfavorable situations, have allowed to confirm the Company's strength to successfully perform its operational and commercial activities. This is due to the following abilities that deserve highlighting: i) The Company has very significant generation capacity, technologically diversified, mainly comprised by efficient hydroelectric and thermal power plants, and high availability allowing its generation to be highly competitive; ii) The Company's commercial policy has been designed and is constantly updated to be coherent with the characteristics of its power plant's electricity generation and with an increasingly competitive market and also aligned with electricity industry regulation requirements. The objective of such policy has been to achieve an attractive return, along with low exposure to hydrology risk and facing significant market competition and supply surplus due to the market penetration of NCRE in base generation, and iii) The power plant management policy considers ongoing permanent optimization to attain high standards of quality, availability, and sustainability by applying operations procedures and maintenance and modernization programs that fully comply with technical and environmental requirements established by environmental and electricity sector regulation.

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## Hydrologic condition of the SIC

Year 2016 may be characterized as a dry year, with very little snow melt at the beginning of the year and a low level of rainfall the rest of the year. Although the first two quarters had slightly more rainfall than the year before, the accumulated exceedance probability of rivers was just as high, roughly 89% and 87% respectively. This condition worsened during the third quarter, and therefore the recovery of seasonal reservoirs was lower. Consequently, the exceedance probability reached 90% that quarter. The last quarter of the year, the snow melting season, was very dry, about 98%, which added to the conditions of the previous quarters, resulted in a 93% average exceedance probability of rivers for 2016, which is the reflection of a much drier year than 2015 and one of the driest years since statistics exist.

## SIC generation and supply costs

The hydrologic condition of 2016 was drier than 2015, and resulted in higher thermal generation in 2016. Energy supplied by the SIC in 2016 reached 53,799 GWh, 58% thermal and greater than the 49% in 2015. Hydroelectricity represented 36%, falling significantly compared to the 45% the previous year. Regarding thermal generation, coal kept the leading position representing 32% of total SIC generation, higher than the 27% in 2016. LNG represented 18% compared to 16% in 2015, and diesel and biomass had a 4% and 3% share, respectively, of total electricity generation.

In terms of renewable solar and wind electricity generation, they maintain their 6% share of total SIC electricity generation, 4% for wind and 2% for solar.

Electricity generation of Enel Generación Chile represented 33% of the SIC's total, and was slightly lower than the 34% the previous year. Hydroelectricity amounted to 9,084 GWh, 17% of total generation, lower than the 23% in 2016. Thermal electricity generation of Enel Generación Chile reached 8,724 GWh, which is equal to 16% of total generation and greater than the 5,919 GWh generated in 2016 (11%), to a great extent, due to great coal and natural gas generation. The Company's coal generation went from 956 GWh in 2015 to 2,995 GWh in 2016. Therefore, the Company's coal generation represented 6% of the system's total generation, and natural gas represented 11%. Far behind comes wind generation reaching 110 GWh (0.2%) and fuel oil generation almost null (16 GWh).

Enel Generación Chile maintained its leadership position in hydroelectricity reaching 48% of total hydro generation (51% in 2015). The Company also made the greatest LNG generation contribution to the system, representing 58% of total LNG generation. Wind generation of the company reached 110 GWh, 6% of total wind generation on the SIC.

During 2016, the average price of fuels decreased when compared to 2015. Coal was the predominant fuel. The price of coal declined 12% from the 93 US\$/ton average price in 2015 to roughly 82 US\$/ton in 2016. The price of LNG, which followed coal as major fuel in the SIC and the main fuel used by Enel Generación Chile, declined nearly 5% from 240 US\$/Dm<sup>3</sup> to 191 US\$/ Dm<sup>3</sup> in 2016. Liquid fuel as an electricity generation source was used very little on the SIC. Its price declined significantly again in 2016, diesel approximately 19% and fuel oil dropped 27%.

The average cost of generation and the average price of energy declined again in 2016 when compared to the previous year. With regard to energy, the spot market price at a relevant node in terms of consumption, such as the 220 kV Alto Jahuel Substation, dropped 36% compared to 2015. The annual average price went from 92US\$/MWh in 2015 to 59 US\$/MWh in 2016.



# The relevance of liquefied natural gas (LNG)

Enel Generación Chile entered the LNG market in 2009 when the GNL Quintero regasification plant began operations, which was a project of national interest that required significant public and private commitment to ensure the country a supply of natural gas since the Argentine supply had been interrupted.

Metrogas, Enap and Enel Generación Chile, jointly promoted the development of the GNL Quintero Terminal, a construction that has played a crucial role in the supply of energy to the central region of Chile for both residential and industrial customers and also for the electricity system.

In 2016 Enel Generación Chile sold its entire 20% ownership share of GNL Quintero to Enagás, a leader in natural gas infrastructure, for US\$ 197 million. This sales agreement with Enagás does not compromise Enel Generación Chile's contracted regasification rights which amount to 5.4 MMm3/d (37% of the total capacity of the regasification terminal), in force until 2035 that allow the Company to satisfy the gas requirements of its power plants and also to commercialize.

In terms of electricity operations, the availability of LNG allowed to compensate for the lower level of hydroelectricity available due to the extremely dry conditions during the year. The rental contracts signed in 2016 with AES-Gener regarding the Nueva Renca thermoelectric power plant were also a contribution allowing this unit to supply the SIC with natural gas fueled electricity in addition to San Isidro and Quintero plants. Total generation of Enel Generación Chile using natural gas (including operations of Nueva Renca) was 5.7 TWh throughout the year, which represented 11% of the SIC's total annual generation, 16% more than in 2015.

In terms of gas commercialization, Metrogas, Enap and Enel Generación Chile, together exported natural gas to Argentina during the winter season using the existing transportation infrastructure that goes from the Quintero Terminal towards Argentina. This represents an unprecedented event and a significant milestone for Enel Generación Chile in the gas commercialization business. The Company contributed with 58% of the total 277 MMm3 of gas exported through Chile's central region.

With regard to the Northern Interconnected System (SING in its Spanish acronym), the Company signed a contract with GNL Mejillones to use the Terminal (TUA) to unload a shipment of LNG. This transaction allowed renewing natural gas sales contracts with industrial customers located in northern Chile and using natural gas for the generation units of Enel Generación Chile (Taltal and GasAtacama) connected to the northern gas pipeline network. This has enabled the Company to currently be the main industrial gas commercialization firm in northern Chile.





Regarding LNG commercialization by using trucks as the means of transportation, four satellite regasification plants (PSR in its Spanish acronym) began operations, all related to long term contracts signed by Enel Generación Chile with the GasValpo gas distribution companies (to supply La Serena-Coquimbo and Los Andes, in addition to Talca, inaugurated towards the end of 2015), Intergas (to supply Temuco) and GasStream to supply an industrial customer. Enel Generación Chile is pioneer in delivering gas to cities not connected to a gas pipeline. These events consolidate the Company's position as a LNG supplier.

In terms of LNG trading activities, Enel Generación Chile sold shipments of LNG.

During 2016, the Quintero terminal unloaded 39 shipments of natural gas, a total 3,976 Mm3. Of that amount 1,322 Mm3 were for Enel Generación Chile, to satisfy its electricity generation requirements, and also to commercialize. Of the remaining amount, 870 Mm3 of gas were destined to other partners of the terminal, for electricity generation by other generators connected to the SIC.

Within this context, Enel Generación Chile continues consolidating as a relevant player in the gas market in Chile, and a pioneer in developing new activities in gas and LNG commercialization.

## In the commercial front

The commercial actions of Enel Generación Chile in 2016 were consistent with its commercial policy whose purpose was to align the joint achievement of the following objectives: maintain industry leadership; manage risk properly and the company's return facing the unfavorable conditions in the SIC during 2016; carry out actions that strengthen customer loyalty, search for additional customers and increase internal commercial management efficiency. The main actions taken are described below.

With regard to customer contract management, new electricity supply contracts were signed with important mining and industrial customers, such as, Anglo American and others.

In August 2016, the results of the electricity supply bidding LIC2015/01 for regulated customers in Chile was announced. Enel Generación Chile was awarded approximately 5,900 GWh/yr. for a 20 year period between 2022 and 2041.





# Enel Generación Chile Projects under Construction and Optimization

## Los Cóndores Project

The Los Cóndores hydroelectric power plant project is located in the San Clemente district, in the Maule basin and Maule region. The project involves the construction of a pass through power plant with a nominal installed capacity of approximately 150 MW, through 2 vertical axle Pelton units, that will use water from the Maule dam through a 12 km adduction tunnel. The plant will be connected to the national network (SIC) by an 87 km transmission line (2x220kV) to the Ancoa substation.

The Environmental Qualification Resolution (RCA in its Spanish acronym) of the optimization project of the power plant and of the transmission line was obtained in November 2011 and May 2012 respectively. In November 2014, Chilean Water Authority (DGA in its Spanish acronym) approved the hydraulic works plan.

In late 2016, voluntary easement agreements were reached for 93.2% of the total infrastructure required to connect the power plant to the Central Interconnected System (SIC). The final electricity concession process is underway simultaneously to be used if necessary.

Main progress in 2016:

- The Raise Borer machine began the first digging phase of the vertical pique in March.
- The excavation of the adduction tunnel downstream in the intake area of the project began in May 2016.
- The distributor and the shield of unit 1 were received in June 2016.
- The installation of the distributor and shield of unit 1 began in July 2016.
- The installation of the structure to install the transmission line began in September 2016.
- In November 2016 the tunnel boring machine (TBM) finished the excavation of Ventana Lo Aguirre and began digging the adduction tunnel downstream Ventana Lo Aguirre.



- The construction crane has been operational since November 2016.

The project is being primarily financed with funds generated internally by the Company. The total investment is estimated to be \$407,928 million and \$172,479 million were disbursed by December 31<sup>st</sup>, 2016.

## Optimization of Bocamina Plant's Second Unit

The Bocamina is a coal fired generation power plant located in the Coronel district (Concepción, southern Chile) comprised by two units, 128 MW and 350 MW.

Bocamina unit 2 began commercial operations in October 2012, but was interrupted in December 2013 due to a judicial order issued by the Concepcion Court.

Enel Generación Chile submitted a new environmental impact study (EIA in its Spanish acronym) in December 2013, proposing a technical optimization plan. The EIA was approved on March 16<sup>th</sup>, 2015 and obtained the Environmental Qualification Resolution, RCA, approval on April 2<sup>nd</sup>, 2015.

The plan involves the performing the following works:

- Installation of Johnson filters to both units to mitigate the suction of microbiological organisms.
- Installation of a geodesic structure on the north and south coal fields.
- Improvement of the landfill for ashes.
- Evaluation of a new landfill for ashes.
- Installing a rainwater treatment plant.

Main progress achieved in 2016:

- The installation of the Johnson filter to unit 2 finished in January.

- The installation of the Johnson filter to unit 1 finished in April.
- The improvements to the existing landfill phase 3 finished in June and phase 2 finished in July.
- The construction of the geodesic structure on the north coal field finished in December, and should be operational by 1/31/2017.





As of December 31<sup>st</sup>, the Municipal Works Department (DOM in its Spanish acronym) of Coronel has not authorized the construction of the dome on the south coal field. On June 10<sup>th</sup>, 2016 the Comptroller General's Office of Chile issued a letter to the Coronel's DOM indicating that it must issue the permit as soon as possible. The DOM's response is pending.

If the construction permit to build the dome on the south coal field is issued by the Dom in January 2017, the construction is expected to finish in 2018. The total estimated investment is \$62,645 million. As of December 31<sup>st</sup>, 2016 a total \$42,320 million had been disbursed.

## Tarapacá DeSox & DeNOx environmental equipment project

Tarapacá power plant is a 158 MW coal-fired thermal unit, whose average annual generation is 1,100 GWh, connected to the Northern Interconnected System (SING).

On June 23<sup>rd</sup> 2011, DS No 13 was issued to regulate the emissions of thermal power plants, forcing the reduction of SO<sub>2</sub> and NO<sub>x</sub> emissions by June 23<sup>rd</sup> 2016. This above implied adapting the Tarapacá power plant to comply with the decree by installing a desulphurization system (DeSox) and adopting methods to reduce NO<sub>x</sub> emissions (DeNO<sub>x</sub>).

The project is in its final stage, but is still pending because the power plant is currently limited to 70 MW capacity.

The scope of the activities to be developed is the following:

- Preliminary activities (removal of electrostatic precipitator, demolition of foundations, demolition and construction of new electro mechanic workshop at the power plant);
- Construction and startup of Desulphurating equipment;
- Installation of new low NO<sub>x</sub> emission burners, improvement of coal mills and installation of new OFA (Over Air Force) systems;

- Construction and startup of Lime silos;
- Construction and startup of sea water desalination system;
- Change the landfill for ashes to improve the manipulation and elimination of waste resulting from the desulphurating process

Main progress achieved in 2016:

- Desalination plant: operational since June 15<sup>th</sup>, 2016.
- Ash management system: operational since June 16<sup>th</sup>, 2016.
- Electric system: operational since June 24<sup>th</sup>, 2016.
- SDA and ancillaries: operational since August 1<sup>st</sup>, 2016.
- On November 4<sup>th</sup>, 2016 a provisional minute stating that the project had become operational was signed.
- The performance tests with positive results of the desalinization plant were completed on November 15<sup>th</sup>, 2016.
- On December 15<sup>th</sup>, 2016 the company announces that the power plant is commercially operational.
- The start-up of works that are pending will take place once the power plant can operate at full capacity, not needing to stop the power plant again.





The project is expected to finish in March 2017. The total investment estimate is \$68,350 million. As of December 31<sup>st</sup> 2016, \$65,718 million have been disbursed.

## Enel Chile Projects in the Feasibility Study Stage

In Enel Generación Chile, different growth opportunities that respond to market requirements are continuously analyzed. Since 2015, our projects' portfolio has been modified to increase flexibility by having options when making investment decisions. The focus is placed on a portfolio with projects that are sustainable from a technical, environmental, social and economic perspective. Expected dates of commissioning of each of the projects are constantly reviewed and are defined based on commercial opportunities and on the Company's capacity to carry out these projects.

The projects currently being developed are the following:

### Neltume Hydroelectric Project

The Neltume project is located in Los Ríos region, on the upper basin of the Valdivia River. It is a 490 MW installed capacity pass through hydroelectric plant to be connected to the SIC through 220 kV transmission line, 42 kilometers long from Neltume to Pullinque.

Any generation project developed by the Company must be supported by communities affected, must be technically viable and economically sustainable.

Therefore, although Enel Generación Chile has not reached a final decision regarding the cancellation of this project, it will not continue developing the project as it is defined now due to current electricity market conditions and the impact of such conditions on the profitability of the project.

After carrying out a consultation process with the indigenous community, the Environmental Impact Study (EIA in its Spanish acronym) of the Neltume hydroelectric project was withdrawn on December 29<sup>th</sup>, 2015 to explore different design alternatives taking the community's proposals into consideration.

During 2016, the Company worked on a new design for the potential project including technical and environmental aspects. This process continues and creating opportunities for collaboration and common views, as far as possible, with communities and local authorities. Enel Generación Chile's purpose is to achieve the development of the project in a harmonious way with the geographic, social and environmental surroundings, in line with the energy requirements of the region and the country.

### Taltal Converting to a Combined Cycle

The Taltal power plant is located in the Antofagasta Region. It is an energy efficiency project that uses the heat generated by the existing gas turbines to produce steam. This is done by installing a steam turbine and its generator, which allow converting the existing Taltal open cycle plant into a gas-fired combined-cycle plant. The Taltal power plant currently has two 120 MW gas turbines. The additional capacity to be added by the steam turbine would be approximately 130 MW and therefore, the Taltal power plant would achieve a total capacity of 370 MW. The energy produced would be supplied to the SIC through the existing 220 kV double circuit Diego de Almagro – Paposo transmission line.

In December 2013, an Environmental Impact Declaration (DIA) of the optimization project was submitted to the Environmental Evaluation Authority, SEA, for approval. The main modification relates to a change in the cooling system, which was originally designed as a wet system (using

sea water) and is being modified to a dry cooling system using air condensers. The Company decided to suspend the environmental approval process voluntarily in 2016 in order to work on a memorandum of understanding, which reached important agreements with the community. They agreed on eliminating the maritime works and the maritime concession application submitted to the Ministry of Defense. On Tuesday, January 17<sup>th</sup>, 2017 the Environmental Qualification Resolution, RCA issued by the members of the Antofagasta Region Environmental Evaluation Commission (CEA in its Spanish acronym) was a unanimous approval of the project.

The Company currently continues implementing its community relations plan with Paposo and Taltal specifically working on defining a proposal to develop the community.

## Hydroelectric Project Vallecito

The project is located in the Maule Region, specifically on the upper basin of the Maule River. It is a pass through hydroelectric power plant with nearly 70 MW installed capacity. The energy it produces is to be supplied to the Interconnected System using the line that is currently in construction to evacuate electricity from the Los Cóndores Hydroelectric power plant.

Vallecito has been designed using sustainable development criteria, which consists in developing the technical, economic, environmental and social aspects of the project considering high sustainability standards. This is why it has included community collaboration processes that have contributed to having a shared vision of the territory. Along with nine Pehuenche communities, the Company as another member of the territory, have identified action plans that include aspirations, abilities and projects that aim towards the future they envision.

Technical feasibility studies of the project were performed during 2016, culminating in a series of field studies (drilling, soil testing, and geophysical prospecting, among others); environmental campaigns and the implementation of the sustainable development plan. Support was given to the more than 45 workshops carried out with the participation of

more than 500 people from the areas nearby the Pehuenche Route.

The next steps involve finishing the technical designs, and the basic environmental studies to prepare the environmental impact study and begin to work with the communities to develop the projects and initiatives developed together to create shared value in the territory.

Within the context of renewable energy in the country, Vallecito wants to represent a sustainable contribution to the growth of Enel Generación Chile.

## Quintero Converting to a Combined Cycle

The project is located in the Valparaíso Region. It is an energy efficiency project that consists in using the heat generated by the existing gas turbines to produce steam. This is done by installing a steam turbine and its generator, which allow converting the existing open cycle Quintero plant into a gas-fired combined cycle. The facility currently has two gas fired turbines with a total 250 MW capacity. The steam turbine would add approximately 130 MW capacity to the Quintero power plant and therefore total capacity would reach 380 MW. The energy generated would be delivered to the SIC through the existing Quintero-San Luis simple circuit 220 KV line built to evacuate the combined cycle.

Considering that the area where the project is located is an industrial one, the Company has decided to strengthen its global strategy by developing projects that are sustainable and involve the collaboration of neighboring communities in order to reduce the environmental impact, and link the local industry supply to the demand of port operations companies, diversify productive activities, promote tourism and local development.

Feasibility studies of the project were performed in 2016, and also environmental campaigns and the implementation of the sustainable development plan by contributing to the shared vision activities identified for the territory.

## Ttanti Combined Cycle Power Plant Project

The Ttanti Project is located near the Company's existing Atacama Power Plant, in Mejillones, a city in the Antofagasta Region. The project consists in building a gas-fired combined cycle comprised of three blocks with approximately 1,290 MW installed capacity to be implemented in stages. The cooling system of the power plant is based on air condensers. The electricity generated will be delivered to the Interconnected System through a 220 kV double circuit line about 0.5 kilometers long to the Atacama Substation.

The project is currently in the environmental evaluation stage. On February 4<sup>th</sup>, 2016, the Environmental Authority issued ICSARA No 2, with observations to the project's Addenda presented by the Company in December 2015. During 2016, answers to the ICSARA questions were prepared to be presented in March 2017.

## Public Land Concessions for Thermal Electric Projects

On March 10<sup>th</sup>, 2014, Enel Generación Chile and the National Asset Ministry signed a concession contract for the development of thermal electric projects on two lots. One of them is located in the Antofagasta Region north of Mejillones and the other in the Atacama Region, north of Caldera.

Within the context of developing sustainable and economically viable projects, and given the current market conditions and the ongoing analysis of projects, Enel Generación Chile decided to suspend these projects.

## Land Reserved for Future Projects

As of December 2016, Enel Generación Chile has approximately 78.8 hectares of immovable property (land), for natural gas fired thermal plants and hydroelectric plants. These assets are located in the Antofagasta Region (36.8 hectares.) and the Los Lagos Region (42 hectares).









## Electricity Distribution

Enel Chile participates in the distribution business through its subsidiary Enel Distribución Chile. Enel Chile's has a 99.1% direct interest in Enel Distribución Chile.

Enel Distribución Chile's concession is a high-density consumption area, since it concentrates a large proportion of the country's population, businesses parks, industrial parks, small industry and commercial activities.

Other groups of electricity distribution companies that participate in the electrical system are: Chilquinta Energía, CGE Distribución, Sociedad Austral de Electricidad and Empresa Eléctrica de la Frontera.

## Enel Distribución Chile

Enel Distribución Chile is the largest electricity distribution company in Chile in terms of electric energy sales. It operates in 33 districts in Metropolitan Region and its concession area covers more than 2,105 square kilometers, including the areas covered by its subsidiaries Empresa Eléctrica de Colina Ltda. and Luz Andes Ltda.

In 2016, the Company provided electricity service to 1,825,519 customers, 2.5% more than in 2015. Out of the total, 89.5% are residential customers, 7.8% are commercial customers, 0.7% are industrial customers and 2.0% other customers. Likewise, during 2016, Chilectra sold 15,924 GWh to its final customers, a 0.2% increase when compared to 2015.

During the year, Enel Distribución Chile successfully fulfilled the Losses Plan developed and implemented to keep losses at economically acceptable levels, recording as of December a TAM indicator of 5.33%.

Distribution tariffs are set every four years based on cost studies conducted by specialized consulting firms. In late 2015, the National Energy Commission (CNE in its Spanish acronym) issued R.E. N 699 that informs, among other matters, the terms of the "Costs Study of Electricity Distribution-Related Services" as part of the 2016-2020

tariff setting process. The terms identify five new electricity distribution-related services, of which the most significant are "Construction and installment of temporary junctions" and "Lease of temporary junctions".

As of this date, the decree to set the new tariffs has not been published.

## Infrastructure and Networks Project

### Smart Meters Project

During 2016, Enel Distribución Chile completed the first phase of the Smart Meter Project involving the replacement of 50,000 meters. This solution that involves new meters, data concentrators, telecommunications infrastructure and centralized systems, allows remote and automated management of meters through a two-way information flow. It contributes to the reliability, safety/security and quality of the service and therefore benefits all electricity industry players but particularly customers.

The Enel group has had more than 40 millions smart meters installed and operational, especially in Italy and Spain, for more than 15 years. This technological renovation in Chile implied replacing 55,257 meters, installing 435 data concentrators and a Control Room where to centralize the operations of the ten districts selected: La Florida, Independencia, Macul, Ñuñoa, Providencia, Vitacura, Santiago, Las Condes, La Reina and Estación Central.

# Solar Energy Projects

## Solar Photovoltaic

During 2016, a program to significantly increase the sale of photovoltaic kits to residential customers was implemented and was very successful. By adopting a strategy that integrated employees, training them in the use of this technology, the Company was able to reach a price level similar to that in Germany for kits between 1 and 5 kWp capacity.

Throughout the year and particularly during the last quarter, a pilot kit was launched among residential customers reaching record sales. Sets of 1, 2 and 3 kWp were offered including equipment and installation at very convenient prices. In three months, 40 kits were sold, the highest sale amount since the Net billing law began, adding 92 kWp to residential customers.

Enel Distribución Chile also, for the second year in a row, won two tenders of the Ministry of Energy's Solar Public Roof Program in Peñaflor and Calama.

The Implementation of the Cauquenes and Parral Solar Public Roof Program projects also concluded in 2016 and were inaugurated by Maximo Pacheco, the Secretary of Energy.





# Energy Efficiency Projects

## Full Electric

“Full Electric” projects refers to the use of only electric equipment in an apartment, using high tech and efficient devices. “Full Electric” apartments include kitchen appliances, hot water solutions and heating systems. On the other hand, “Solar Electric” refers to heating water and fluids using a solar-electric mix solution, both energy sources environmentally friendly.

During 2016, several “Full Electric” agreements were signed with real estate companies, such as, SuKsa, Hogares, Euro, Ictinos, Cidepa, Sinergia and Fundamenta. Sales of this real estate product reached approximately \$ 2,500 millions during the same period.

The implementation of Enel Chile’s Full Electric system, in addition to the application of the Hourly Residential Plus Rate (THR Plus) that includes different kWh prices/values offering the possibility to obtain discounts of up to 30% at certain times of the day. During 2016, Full Electric apartments represented 41% of the all new apartments built in Santiago. Consequently, by December, 2016, there are roughly 110,500 Full Electric apartments in the country’s Metropolitan Region mainly in the central and east central districts.

## Energy efficiency projects for hospitals

Enel Distribución Chile was awarded two highly complex hospital projects through the tender organized by the Chilean energy efficiency agency, Agencia Chilena de Eficiencia Energética (ACHEE). Both projects involved thermal power plants as requested by each hospital, the Hospital in Castro and the Regional Hospital Dr. Guillermo Grant Benavente in Concepcion. This represented approximately \$75 millions in revenues.





# Innovation Projects

## Flex Energy Home

The Flex Energy Home project seeks to develop an automated tool to manage renewable energy generated by at home.

To achieve this, the system has a local means of storing energy and monitoring consumption that allows the automation of energy management according to the users need and market sign.

The Flex Energy Home product consists in photovoltaic generation, battery storage, energy management/optimization and maintenance and assistance service. In 2016, the results of the quantitative study of the Flex Energy Home product were presented.

The results: very high perception of the attributes and differentiation of the concept proposed (above 90%), some challenges regarding the financial formula offered to final customers due to the amount of the investment required and some commercialization challenges.

Significant commercial milestones of this product/service are expected for 2017, which already has real estate companies interested in incorporating them into their residential projects.

## Chispers

The Chispers project had an ambitious plan for 2016: enter critical retail locations, public areas and significantly increase its customer base. New charging locations were installed in busy places within the Metropolitan region. A pilot was installed in Transvip offering passengers going to the airport to enjoy this mobile electric mobile service. A new modern image of the product and application was released including new user experiences.

# Electric Mobility

## Electric Bus

The Initiative developed and promoted by the Innovation Chile team is already operating in Chile. The bus has been approved by the transportation authority and has standards that are compatible with Transantiago, the urban public transportation system that operates in the metropolitan area. This will allow verifying how this type of vehicle adapts to the current public transportation system that will be tendered between 2018 and 2020 and will renew more than 6,000 buses. This is the first 100% electric vehicle. It reduces the energy cost by 70% when compared to a conventional bus, has free Wi-Fi and Chispers in each seat (to charge cellular phones).







## Environment and Sustainability

During 2016 the Company implemented a multi-location Integrated Management System (SGI in its Spanish acronym) covering the operations of all facilities in Chile and obtained ISO 14,001, OHSAS 18,001 and ISO 9,001 certification for its entire generation park. Consequently, as of December 31<sup>st</sup>, 2016, 100% of Enel Generación Chile's installed capacity has a management system that monitors environmental, safety, occupational health and quality conditions.

## Environmental Management Highlights

The San Isidro power plant, located in the Valparaíso Region, continues working on the implementation of its plan to add an additional water supply for cooling purposes due to the deteriorated quality of its well water, which has limited its electricity generation. The supply of water from wells located at a distance of the power plant were reduced 50% and therefore the truck trips needed to transport water were reduced. The Company has also continued working on diversifying the possible solutions to this situation. Progress in 2016 was related to the technical and environmental feasibility studies of the ZLD (Zero Liquid Discharge) project. This project involves installing a well water treatment plant that would allow extracting sulphate from the water before it begins the cooling process. Additionally, the environmental authority responded favorably to the inverse osmosis system, used to maximize the water available for reutilization after the cooling process, which was submitted for approval to the Environmental Impact Evaluation System (SEIA in its Spanish acronym). The General Water Authority (DGA) also determined the flow rate available for dilution at the discharge area of the Aconcagua River.

Regarding progress in the environmental management of thermal plant Bocamina, the construction of the roof on the north coal field had been completed.

During 2016, the environmental authority resolved in favor of the questions we submitted to the SEIA relative to the use of coal from small local coal producers and also

regarding the valuation of plaster and consequently allowing its commercialization. This is additional to the sanitary authorizations obtained to perform the valuation of ashes and plaster of the Thermoelectric Power Plant.

In 2016, the Tarapacá power plant implemented specific actions determined by the Clean Production Agreement (APL in its Spanish acronym) of Tarapacá Region Shoreline. In July, 2016, progress was audited and 100% of specific goals and actions were reached by predetermined deadlines. Also, during 2016, the employees of the Tarapacá power plant participated in monthly workshops offered by the Industrials Association that presented the power plant's progress in terms of environmental issues.

Regarding the commitments related to the Environmental Qualification Resolution (RCA) of the Ralco hydroelectric power plant, 2016 highlights are the following:

- As part of the power plant construction mitigation program, in January, Enel Generación Chile and Universidad de Concepción signed an agreement regarding reforestation with native species. The University will be in charge of implementation, planting from 2016 until 2020, a total 700 hectares with native trees.
- The activities to restore the lots used as dumps and deposits during the contraction began in January. The goal is to recuperate the land by planting native trees.
- In March, Enel Generación Chile officially handed over the cemetery to the El Barco community. The Bio-Bio regional director of the National Indigenous Development Corporation, (Conadi in its Spanish acronym) performed the honor. Building this cemetery was a commitment of Enel Generación Chile related to the construction of the Ralco Power plant.
- In March, a thematic map identifying the location of heritage sites in the district was presented to the mayor of the Alto Bio-Bio district, Nivaldo Piñaleo, to be exhibited in the local museum. Three thousand brochures written in three languages (English, Spanish and Chedungun) were also donated to promote these sites. This activity is part of the project "Identifying and Protecting Heritage Sites", which is one of the five compensatory measures defined by the environmental authority in 2006.



- The construction of the Lonquimay Bridge, one of the compensatory measures related to the construction of the Ralco Power plant, concluded in April. It is the access to the New Barrio community in Lonquimay.
- Within the context of Ralco's RCA, the implementation proposal of the Long-Term Development Plan for the Ayin Mapu and El Barco communities that were relocated was prepared in 2016. The proposal was defined by the members of the communities, and their leaders through workshops in which they Identified their Interests, and opportunities for Improvement, by defining the activities and projects they expect to begin developing in 2017.

## Thermoelectric power plant emission standard compliance

The thermoelectric park of Enel Generación Chile and its subsidiary GasAtacama S.A. continue working to comply with the latest versions of protocols and guides defined by D.S No 13/11 Thermoelectric Power Plant Emission Standards issued by the Environment Superintendence. During 2016, the power plants also concluded the projects necessary to comply with the MP, SO<sub>2</sub>, and NO<sub>x</sub> standards established by the regulation. Consequently, the Tarapacá Thermoelectric Power Plant has a semi dry type desulphurizer and a low NO<sub>x</sub> burner system to reduce NO<sub>x</sub> emissions. The Taltal power plant has implemented a demineralized water injection system that ensures compliance with the NO<sub>x</sub> standards applicable to diesel operations.

In October 2016, the SMA published the standards compliance verification report informing on the compliance of most power plants to standards in force in 2015. This report is based on the emissions data uploaded quarterly by each plant to the "Thermoelectric Power Plant" portal of the SMA. Based on this verification, on December 31<sup>st</sup>, 2016, the report states that most of the Electricity Generation Units (UGE in its Spanish acronym) of the Company comply with required standards.

## Green taxes

The entire thermal park of Enel Generación and GasAtacama proposed a methodology to quantify emissions according to resolution SMA No 1,053. As of December 30<sup>th</sup>, 2016, all proposals had been approved and therefore the Company will report emissions based on such methodology and taxes for 2017 will be paid based on such report.

## New Projects

In November 2016 a memorandum of understanding was signed by the Paposó community and Enel Generación Chile as part of the Environmental Impact Study process of the DIA for the thermoelectric Taltal combined cycle that began in December 2013. This agreement allowed reaching an agreement with the community that involve changes to the project and a greater relationship with the community. This protocol was included in Addendum 3 of the project's evaluation presented in December.

# Sustainability

Responsible growth is the guideline of the Sustainability Policy of Enel Chile. Establishing a responsible relationship with the community is one of the main pillars to reach its goal to position the strategic concept of Open Power and also to create shared value in the societies in which it operates.

During 2016, the Company consolidated its structure geographically, organizing teams in different locations. It also defined criteria and principles to create righteous relationships, in which stakeholders are involved since the design stage of the project, assuring equal opportunities of dialogue and guaranteeing access to the information required to make decisions.

The objective is to develop long-term relationships of trust with the stakeholders present in the respective territory, to maintain continuous and consistent relationships in order to minimize and mitigate the risks related to the company's integration into a certain territory.

Enel Chile focuses its sustainability plan on the vision of Open Power, on complying with the Sustainable Development Objectives of the United Nations, on creating shared value and complying with its Human Rights Policy.

## Open Power Vision

Enel Generación has identified the central aspect of its business to be the "Open" concept, a cornerstone of its strategy and operations: Open energy to more people; Open energy to new technologies; offer people new ways to manage energy; add new uses to energy; add more alliances to energy.



# Objectives of Sustainable Development

In 2015, the United Nations adopted the new Sustainable Development Objectives (ODS in its Spanish acronym). This initiative invites companies to use creativity and innovation to face sustainable development challenges, such as poverty, gender equality, clean water and energy, and climate change.

At the time, Enel announced the Group's intention to contribute to achieving four of the 17 objectives. Particularly, Enel and its companies worldwide have focused on the following objectives:

- Quality education: Support educational activities for 400,000 people by 2020, similar to those already underway, such as the scholarship program in Latin America.
- Affordable energy: Commit to promoting affordable, sustainable, and modern energy through the initiative Enabling Electricity that is to benefit three million people, mainly in Africa, Asia and Latin America.

- Decent job and economic growth: Promote sustainable, inclusive job opportunities and economic growth for 500,000 people.
- Action for the climate: Adopt initiatives to fight climate change to reach the goal to carbon neutral by 2050.

## Shared Value as a long-term strategy

Enel Generación Chile's long-term vision is to transform relevant social matters into business opportunities that lead to benefits for society and the Company.





# Human Rights Policy Sustainability Plan

The Company approved its Human Rights Policy in 2013. It represents Enel Chile's commitment and responsibility regarding social and corporate sustainability. The document sets out the Company's commitment to all human rights, particularly those that affect corporations and the activities carried out by all Company employees in Chile.

Within this framework, the company performed a Human Rights diagnosis (Due Diligence) in Chile to identify situations at risk and prevent them. The results of the diagnosis were disclosed to the stakeholders.

The guidelines of the Sustainability Plan of Enel Chile 2016-2020 are consistent with the sustainable development pillars adopted by the Company: occupational health and safety, economic and financial value creation, solid corporate governance and environment. The specific approach of this plan is based on five implementation perspectives: innovation and operational efficiency, responsible relationship with local communities, customer relations management, personnel motivation and development, decarbonization of the energy matrix.

Along with these guidelines and perspectives, another core element that contributes to the plan is the identification of the stakeholders' priorities. The identification of these priorities is achieved by performing a materiality matrix. This materiality study identified demographic changes and a growing middle class in the country. Consequently, new



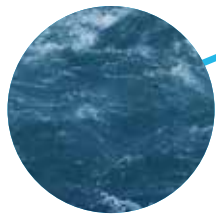
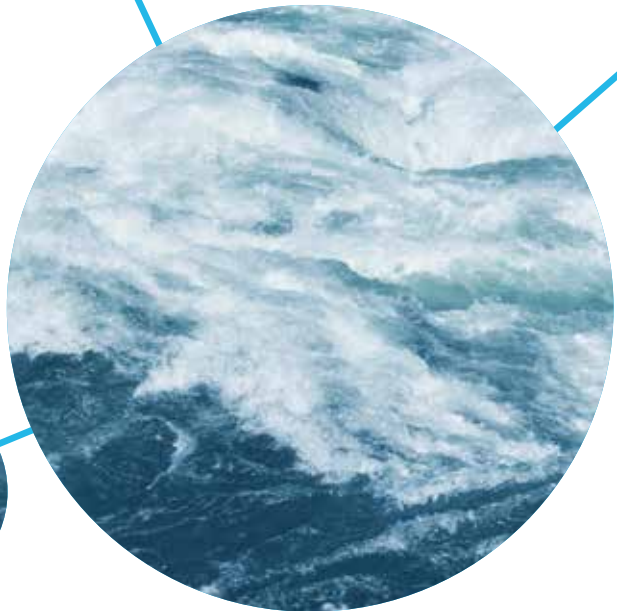


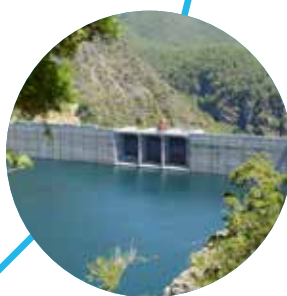
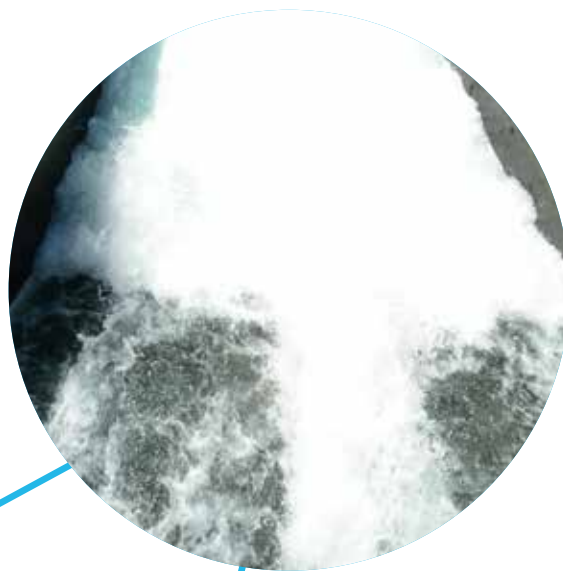
customer demands arise, such as, access to information technology, digitalization of information and decentralized energy management.

The work carried out according to these guidelines led Enel Generación Chile to focus its social and environmental investments on projects related to electricity access, operational efficiency, environmental improvements and local economic development. Regarding personnel motivation and development, several programs related to inclusion and diversity have been launched. In power plant operational efficiency and environmental improvements, some emblematic projects have been implemented, such as the dome covering the coal field of Bocamina power plant. Finally, regarding the energy matrix, hydroelectricity has reached 50% of Enel Generación's total matrix. With regard to the relationship with the community, the Company has developed projects in energy access, education and social and economic development involving 600,000 beneficiaries.

Regarding the performance of Enel Distribución Chile in 2016, we want to highlight its perspectives of "Customer Relations Management", "Innovation and Operational Efficiency", and "Responsible Community Relations." Customer relations management achieved increasing the number of customers 2.4% and installing 50,000 smart meters. From the perspective of innovation and operational efficiency, the company introduced the first electric bus to offer transportation to the residents of Santiago. This initiative is related to the Atmospheric Prevention and Decontamination Plan (PPDA in its Spanish acronym) of the Metropolitan Region. To contribute to this plan, Enel Distribución Chile also introduced 10 electric cars to its corporate transportation fleet and has promoted electric vehicles among its employees favoring the replacement of traditional cars. Within the scope of responsible relations with communities, Enel Distribución Chile continues developing the "Enel in your Neighborhood" program. This program seeks sensitizing customers to the efficient use of energy and streamline the normalization of customers' past due electricity bills. This initiative is being carried out in 33 districts of the concession area and has benefitted 120,000 people.







Participation in  
Subsidiaries &  
Associates and  
Schematic table

# Direct and Indirect Economic Interest

Company	Business Segment	Ownership Share
Enel Generación Chile	Gx	59.98%
Eólica Canela	Gx	45.77%
Pehuenche	Gx	55.57%
HidroAysén	Gx	30.59%
Aysén Energía	Gx	30.59%
Aysén Transmisión	Tx	30.59%
Enel Distribución Chile	Dx	99.09%
Transquillota	Tx	30.52%
GasAtacama Chile	Ox	61.03%
Electrogas	Ox	25.49%
GNL Chile	Ox	19.99%
EE Colina	Dx	99.09%
Luz Andes	Dx	99.09%
SIEI	Ox	100.0%
Cameros	Ox	57.50%
Gasoducto Atacama Argentina	Ox	61.03%

Gx: Generation

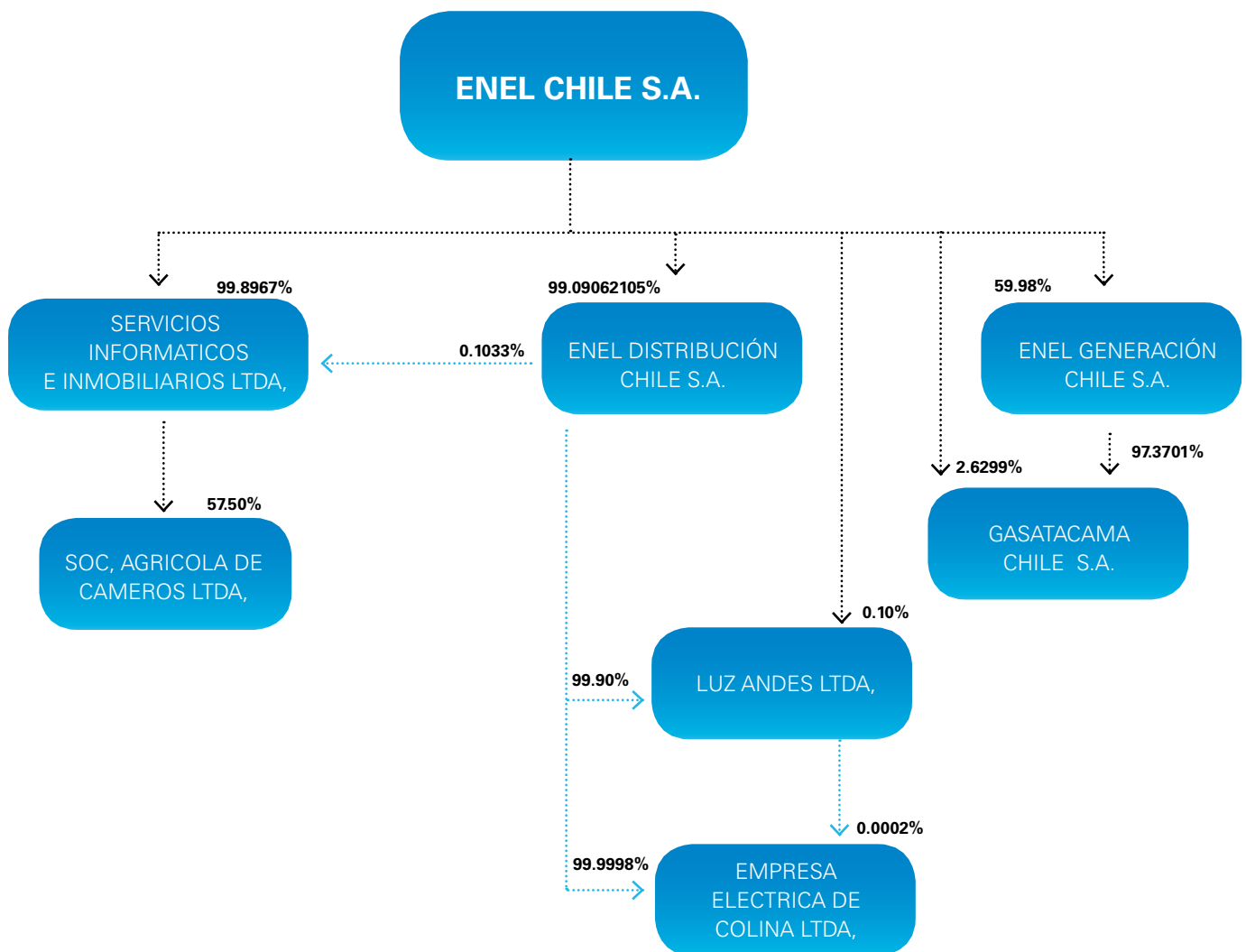
Dx: Distribution

Tx: Transmission

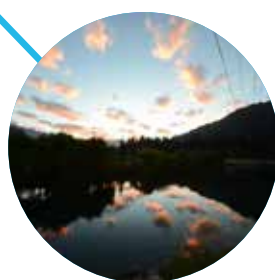
Ox: Gas pipeline, others



# Organizational Structure







## Significant Events

# Significant Events or Essential Facts

In accordance with Articles 9 and 10, section 2, of the Securities Market Law N° 18,045 and as established under General Norm N° 30 of the Superintendence of Securities and Insurance, the following significant events were informed:

## Enel Chile S.A. (Ex – Enersis Chile S.A.)

- On March 22<sup>nd</sup>, 2016 the following was informed as a significant event:

Pursuant to what was resolved by the Extraordinary Shareholders' Meeting held January 29<sup>th</sup>, 2016, that approved the spin-off of Enersis S.A. as of December 18<sup>th</sup>, 2015, the spin-off has become legally effective as of March 1<sup>st</sup>, 2016, at which time Enersis Chile S.A. ('Enersis Chile') began to exist and the former Enersis S.A. became "Enersis Américas S.A."

As agreed by the above-mentioned Shareholders' Meeting, Enersis Chile applied to be registered in the Securities Register of the Superintendence of Securities and Insurance and in the stock exchanges for it and its corresponding shares, in which the shares of Enersis Américas S.A. are currently traded. The distribution and physical delivery of the shares of stock issued by Enersis Chile shall take place on the date resolved by the Board of Directors of Enersis Chile, following the registration of the Company and its shares in the Securities Register of the Superintendence of Securities and Insurance and stock exchanges of the country and following the compliance of all legal and regulatory requirements to that effect.

- On April 14<sup>th</sup>, 2016 the following was informed as a significant event:

1.-To announce that, on April 13<sup>th</sup>, 2016, the Superintendence of Securities and Insurance proceeded to record Enersis

Chile and its shares in the Securities Registry, according to a certificate issued by this entity, and that it has made the respective listings in the Santiago Stock Exchange, the Valparaíso Stock Exchange, the Chile Electronic Stock Exchange and the New York Stock Exchange of United States of America, all in accordance with the decision made at the Extraordinary Shareholders' Meeting of Enersis Américas S.A. (formerly Enersis S.A.) held on December 18<sup>th</sup>, 2015. Therefore, the shares of the divided equity of Enersis Chile should be distributed free of any payment to the shareholders of Enersis Américas S.A. entitled to receive them.

2. The Board of Directors of Enersis Chile agreed to carry out the distribution and delivery of a total of 49,092,772,762 shares issued by Enersis Chile, all nominative, of a unique and single series and without nominal value, on April 21<sup>st</sup>, 2016, to the shareholders of Enersis Américas that were listed in its shareholders' registry at midnight the day before April 21<sup>st</sup>, 2016.





3. This distribution to the shareholders of Enersis Américas S.A. will be carried out by exchanging one share of Enersis Chile for each share of Enersis Américas S.A. registered under the shareholders name in the registry at midnight the day before April 21<sup>st</sup>, 2016. From April 21<sup>st</sup>, 2016 onwards, the shares issued by Enersis Chile may be officially quoted in the stock markets mentioned above.

4. Representative titles of the shares in Enersis Chile will be available for shareholders of Enersis Américas S.A. to be withdrawn on April 21<sup>st</sup>, 2016 at DCV Registros S.A. offices, located at 770 Huérfanos Ave., 22<sup>nd</sup> floor, in Santiago, from Monday through Thursday from 9:00 am to 5:00 pm, and Friday from 9:00 am to 4:00 pm.

- On April 26<sup>th</sup>, 2016 the following was informed as a significant event:

The Securities and Exchange Commission of the United States of America declared the Registration Statement on Form F-6 effective, which was filed to register the American Depositary Receipts program issued by the Enersis Chile S.A., and to register the Company as an issuer of American Depositary Shares ("ADS") in accordance with the aforementioned program. Therefore, as of such date, Enersis Chile S.A. has carried out the physical distribution of its ADRs.

A copy of the Form F-6 and its annexes will be available to the shareholders and the general public beginning today on the Company's website, [www.enersischile.cl](http://www.enersischile.cl).

The Ordinary Shareholders Meeting held April 28<sup>th</sup>, 2016, agreed to distribute a minimum obligatory dividend (that is reduced by the pro-forma interim dividend paid in January 2016) and an additional dividend of \$ 125,919,205,080, equivalent to \$ 2.56492 per share.

Since the interim dividend has already been paid, the remaining definitive dividend for \$ 102,769,943,963, equivalent to \$2.09338 per share dividend will be distributed and paid.

A new Board of Directors has been appointed for a three-year period, comprised by the following members:

Mr. Herman Chadwick Piñera

Mr. Giulio Fazio

Mr. Vincenzo Ranieri

Mr. Salvatore Bernabei

Mr. Fernán Gazmuri Plaza

Mr. Pablo Cabrera Gaete

Mr. Gerardo Jofré Miranda.

The Board of Directors of Enersis Chile held on April 29<sup>th</sup>, 2016 appointed Mr. Herman Chadwick Piñera as Chairman of the Board, Mr. Giulio Fazio was appointed Vice Chairman of the Board of Directors and Mr. Domingo Valdés Prieto was appointed Secretary of the Board of Directors.

Similarly, in the aforementioned meeting, the Directors' Committee, in accordance to the Chilean Companies Act Law N° 18,046 and the Sarbanes - Oxley Act, was appointed. The Directors' Committee is composed of Directors Fernán Gazmuri Plaza, Pedro Pablo Cabrera Gaete and Gerardo Jofré Miranda. As required by the provisions of Circular N° 1,956 of the Superintendence of Securities and Insurance, the three aforementioned members are declared to be independent directors.

The Board of Directors of the Company has appointed Mr. Fernán Gazmuri Plaza as the Financial Expert and the Directors' Committee has appointed Mr. Fernán Gazmuri Plaza as Chairman of the Directors' Committee and Mr. Domingo Valdés Prieto as Secretary of the Directors' Committee.

- On May 5<sup>th</sup>, 2016 the following was informed as a significant event:

Empresa Nacional de Electricidad S.A. ("Endesa Chile") has informed that on this day it has signed with Anglo American Sur S.A. ("Anglo American Sur") three electricity supply contracts for Anglo American Sur operations, whose annual consumption is estimated to amount to 2 TWh. Supply will begin in January 2021 for a 10 year term.

The price and indexation conditions of the contract are consistent with long-term contract market conditions. As referential information, and order-of-magnitude estimate of the amount that such supply contracts could involve, the expected average annual sales of these contracts would be equivalent to 8% of Endesa Chile's total contractual sales expected for that time period.

At this time it is not possible to reasonably quantify the financial effects these contracts will have on the Company's

results. The financial effects of these contracts on Endesa Chile will depend on factors that will have an influence on the behavior of the electricity market during the 10 year life span of the contracts, such as, but not limited to, the price of fuel, hydrology, growth of demand, and international inflation indexes, which to date cannot be determined for that period.

- On June 9<sup>th</sup>, 2016, the following was informed as a significant event:

Empresa Nacional de Electricidad S.A. ("Endesa Chile") agreed and signed a contract for the sale of its shares in GNL Quintero S.A., equivalent to 20% of the equity of such company, to Enagás Chile S.p.A ("Enagás Chile"), which is a subsidiary 100% controlled by the Spanish company Enagás S.A. for US\$ 200 million, to be paid on the closing date of the transaction.

The sale of this stake to Enagás Chile is subject to the compliance with standard conditions for this type of transaction, including that other GNL Quintero S.A. shareholders' not exercise their pre-emptive right.

The financial effect of the transaction for Enersis Chile would be a net income of approximately US\$ 83 million.

- On July 27<sup>th</sup>, 2016, the following was informed as a significant event:

During the Meeting held July 27<sup>th</sup>, 2016, the Board of Directors of the Company unanimously appointed Mr. Nicola Cotugno as Chief Executive Officer, replacing Mr. Luca D'Agnese who submitted his resignation during the same session. Mr. D' Agnese's resignation, and the appointment of Mr. Cotugno, will become effective on August 16<sup>th</sup>, 2016.

- On August 2<sup>nd</sup>, 2016, the following was informed as a significant event:

In accordance with Article 63 of the Chilean Corporations Law N° 18,046, the Board of Directors of Enersis Chile S.A. ("Enersis Chile" or the "Company"), pursuant to the Company's by-laws has summoned an Ordinary Shareholders' Meeting to be held on October 4<sup>th</sup>, 2016 at



10:00 a.m. at the Enersis Group Stadium located at 858 Carlos Medina Ave., Independencia District, in Santiago.

The issues to be discussed at the Extraordinary Meeting of Shareholders will be the following:

1. The modification of Article One in order to change the Company's name from Enersis Chile S.A., to Enel Chile S.A., and to add the term "public" before the expression " limited liability stock ccorporation", resulting in the text of Article One reading as follows:

"Article One: An public limited liability stock corporation which is to be named "Enel Chile S.A." ("the Company"), and shall be governed by these by-laws and, in their absence, by legal and regulatory norms that apply to this type of company."



2. Modification of Article Four in order to insert a comma (,) in the first paragraph between the words "abroad" and "the exploration" and to replace the words "subsidiaries" with "related companies, subsidiaries and affiliates" in letter d), resulting in the text of Article Four reading as follows:

"Article Four: The purpose of the Company shall be, in the country or abroad, the exploration, development, operation, generation, distribution, transmission, transformation or sale of energy, in any of its forms, directly or through other companies, as well as telecommunications activities and providing engineering consulting services, in the country or abroad. An additional purpose shall be to invest and manage its investments in subsidiaries and affiliates such as generators, transmission companies, distributors, or electricity traders or whose business activity corresponds to any of the following: (i) energy in any of its forms or nature, (ii) providing utility services or services whose main input is energy, (iii) telecommunications and information technology services, and (iv) business intermediation via the Internet. In order to comply with its purpose, the Company will carry out the following activities:

- a) Promote, organize, establish, modify, dissolve or liquidate companies of any kind, whose corporate purpose is related to the purposes of the Company.
- b) Propose investment, financing and trade policies to its subsidiaries, as well as the accounting systems and principles to which they must adhere.
- c) Oversee the management of its subsidiaries.
- d) Loan its related companies, subsidiaries and affiliates the financial resources necessary to develop their businesses and, furthermore, provide management services including financial, commercial, technical and legal, and audit services to its related companies, subsidiaries and affiliates; and, in general, services of any nature that may be necessary to improve their performance.

In addition to its main purpose and always acting within the limits established by the Investment and Financing Policy approved at the Shareholders' Meeting, the Company may invest in:

First. The acquisition, development, construction, rental, management, intermediation, trading and disposal of all kinds of movable and immovable assets, either directly or through subsidiaries and affiliates.

Second. All types of financial assets, including stocks, bonds and debentures, trade bills, and, in general, all kinds of transferable securities and contributions to companies, either directly or through subsidiaries and affiliates"

3. Modification of Article 43 to insert the phrase "applicable to the public limited liability stock corporations" between the expressions "Regulations" and "and the ones relevant", resulting in the text of the Article 43 reading as follows:

"Article 43: In all matters that are not expressly addressed within these by-laws, the provisions of Law 18,046, its amendments and regulations applicable to public limited liability stock corporations and those contained within Decree 3,500 Article 111."

4. Delete the following transitory provisions: Transitory Article Two, Transitory Article Four, Transitory Article Five, Transitory Article Six, Transitory Article Seven, Transitory Article Nine and Transitory Article Ten, and

5. The adoption of agreements that are necessary to carry out the proposed by-law reform, under the terms and conditions that shall ultimately be approved by the Shareholders Meeting, and also to grant the necessary powers of attorney, especially to legalize, complete and execute agreements adopted by said Shareholders Meeting.





- On October 4<sup>th</sup>, 2016, the Extraordinary Shareholders' Meeting, in compliance with the quorum required by law and the Company's by-laws, resolved to change the Company's current name from Enersis Chile S.A., to "Enel Chile S.A."
- On November 25<sup>th</sup>, 2016, the approval by the Board of Directors of Enel Chile S.A. of the Industrial Plan of the Enel Chile Group for the period of 2017-2019 was informed as a significant event.

A copy of the aforementioned Industrial Plan of the Enel Chile Group for the period of 2017-2019 can be obtained from the Company's website, [www.enelchile.cl](http://www.enelchile.cl).

Taking into consideration that the content of the referred to Industrial Plan follows and is based on projections and hypotheses that might or might not come true in the future, its effects cannot be determined at this date.

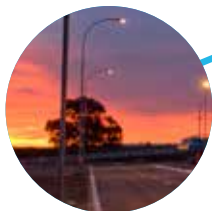
- On November 25<sup>th</sup>, 2016 the Company informed as a significant event that the Board of Directors of Enel Chile S.A. ("Enel Chile" or the "Company"), has unanimously resolved, to augment the information related to the

Ordinary Shareholders' Meeting of Enersis Chile S.A, currently Enel Chile S.A., held on April 28<sup>th</sup>, 2016, with respect to the Company's 2016 Dividend Policy. The Company will distribute an interim dividend of up to 15% of the net income as of September 30<sup>th</sup>, 2016 as shown in the Financial Statements of Enel Chile S.A. on that date, to be paid in January 2017.

Pursuant to what has been stated before, the Board has also unanimously agreed to pay an interim dividend of \$0.75884 per share, attributable to the 2016 fiscal period, to be paid on January 27<sup>th</sup>, 2017. This amount is equal to 15% of the net income of Enel Chile as of September 30<sup>th</sup>, 2016, considering the Financial Statements of the Company on that date.

Pursuant to the Bulletin N° 660 of 1986, issued by this Superintendence, we are hereby sending Form N° 1 that confirms the information related to the agreed upon interim dividend.







## Identification of Subsidiaries and Associate Companies

## AGRÍCOLA DE CAMEROS

### Name

Sociedad Agrícola de Cameros Limitada

### Type of Company

Limited Liability Company

### Taxpayer ID

77,047,280-6

### Address

Camino Polpaico a Til-Til, S/N Til-Til, Chile

### Telephone N°

(56 2) 2378 4700

### Subscribed and Paid Capital (Th\$)

5,738,046

### Corporate Purpose

The purpose of the company is the exploitation of agricultural land.

### Core Business

Real estate and agriculture

### Administration

By-laws include a Board of Directors:

### Directors

Hans Knoop Frick  
Francisco Silva Bafalluy  
Hugo Ayala Espinoza  
María Cristina Auad Faccuse  
Cristián Guadi Imbarack Dagach

### Alternate Directors

Solange Zincke Cavalieri  
Ingrid Morales Ávila  
Jorge Geldres Reyes  
Andrés Garib Auad

### Senior Executives

Hugo Ayala Espinoza  
Chief Executive Officer

### Business Relations

Services Contract by Enel Chile: Provision of Internal Audit and Compliance Control Services, Price: amounts expressed in per working hour that Enel Chile's staff assign to the contracted services.

### Enel Chile's Stake (Direct and indirect)

57.50% - Unchanged

## AYSÉN ENERGÍA

### Name

Aysén Energía S.A.

### Type of Company

Privately held corporation

### Taxpayer ID

76,091,595-5

### Address

383 Miraflores, office 1302, Santiago, Chile.

### Telephone N°

(562)2713 5000

### Subscribed and Paid Capital (Th\$)

4,900

### Corporate Purpose

Comply with the ruling of the Free Competition Defense Tribunal in the first article of Resolution No 30 dated May 26<sup>th</sup>, 2009; to fulfill the commitment made by HidroAysén S.A. with the community of the XI Region of Aysén, within the framework of the development of the Aysén Hydroelectric Project, to provide the region with an electricity supply at a cost below the current value, through the development, funding, ownership and operation of projects that generate and transmit electricity in that region. In order to comply with the above, the company may develop the following activities, among others: a) produce, provide and commercialize electricity, by any means of generation; b) electricity transportation; c) provide services related to its Corporate Purpose; and d) to request, obtain or acquire and benefit from the concessions, rights and permits that are required.

### Core Business

Electricity generation and transmission (project)

### Directors

Carlo Carvallo Artigas  
Bernardo Larrain Matte  
Luis Ignacio Quiñones Sotomayor  
Juan Eduardo Vasquez  
Ramiro Alfonsín Balza  
Luis Felipe Gazitúa Achondo

### Alternate Directors

Claudio Helfmann Soto  
Eduardo Lauer Rodríguez  
Bernardo Canales Fuenzalida  
Sebastián Moraga Zúñiga  
Rodrigo Pérez Stieповic  
Rodrigo Paredes Barria

### Senior Executives

Camilo Charme Ackermann  
Chief Executive Officer

### Business Relations

The company does not have business relationships with Enel Chile.

### Enel Chile's Stake (Direct and Indirect)

30.59% - Unchanged

## AYSÉN TRANSMISIÓN

### Name

Aysén Transmisión S.A.

### Type of Company

Privately held corporation, registered in the Securities Register of the SVS.

### Taxpayer ID

76,041,891-9

### Address

383 Miraflores, office 1302, Santiago, Chile.

### Telephone N°

(562) 2713 5000

### Subscribed and Paid Capital (Th\$)

22,368

### Corporate Purpose

Develop and alternatively or additionally manage electricity transmission systems required in the hydroelectric generation project that HydroAysén plans to build in the Aysén Region. In order to fulfill its purpose, its business activities include the following: a) the design, development, construction, production, ownership, maintenance and operation of electricity transmission systems, b) electricity transportation, and c) providing services related to its Corporate Purpose.

### Core Business

Electricity transmission

### Directors

Carlo Carvallo Artigas  
Bernardo Larrain Matte  
Ignacio Quiñones Sotomayor  
Juan Eduardo Vasquez  
Luis Felipe Gazitúa Achondo  
Ramiro Alfonsín Balza

### Alternate Directors

Claudio Helfmann Soto  
Eduardo Lauer Rodríguez  
Bernardo Canales Fuenzalida  
Sebastián Moraga Zúñiga  
Rodrigo Pérez Stieповic  
Rodrigo Paredes Barria

### Senior Executives

Camilo Charme Ackermann  
Chief Executive Officer

### Business Relations

The company has no business relationships with Enel Chile.

### Enel Chile's Stake (Direct and Indirect)

30.59% - Unchanged

## CELTA (Merged with GasAtacama Chile)

### Name

Compañía Eléctrica Tarapacá S.A.

### Type of Company

Privately held corporation

### Taxpayer ID

96,770,940-9

### Address

76 Santa Rosa Ave.  
Santiago, Chile

### Telephone N°

(562) 2630 9000

### Subscribed and Paid Capital (Th\$)

331,770,543



### Corporate Purpose

Exploitation of electricity production, transmission, distribution and supply, both locally and abroad, for which it may obtain, acquire and benefit from the respective concessions and grants. Additionally, its purpose shall also be: the purchase and sale of natural gas, liquefied natural gas and diesel oil; to promote and develop renewable energy projects; to identify and develop Clean Development Mechanisms (Mecanismos de Desarrollo Limpio: MDL) and to act as depositary and trader of Emissions' Reduction Certificates obtained from said projects. Additionally, the company will make or participate in all kinds of investments, especially related to the electrical business. It may particularly make, maintain and manage investments in energy projects linked to the companies Gasoducto Atacama Compañía Limitada, Gasoducto Cuenca Noroeste Limitada and Nor Oeste Pacífico Generación de Energía Limitada; as well as in Administradora Proyecto Atacama S.A. or in its legal successors. Likewise, the **Corporate Purpose** shall cover the renting, purchase, sale, administration and exploitation of all kinds of movable property, real estate, securities and other negotiable instruments, through its own account or through third parties. In addition, the **Corporate Purpose** includes carrying out studies and consultancies, and providing all kinds of services including: engineering services, work inspections, inspections of materials and equipment, the reception of materials and equipment, laboratory services, lending expert opinion, extending business management services for the company's several fields, providing environmental consultancies –such as carrying out environmental impact studies–, and providing other consultancy services in general. Likewise, its purpose shall also be the catchment, extraction, treatment, desalination, transportation, distribution, trade, delivery and supply of sea water in every state, be it natural, potable, desalinated, or else treated, which can be carried out by its own account or through third parties.

### Core Business

Electricity Generation

### Board of Directors

Humberto Espejo Paluz  
Mario Enero Bravo  
Raúl Arteaga Errazuriz

### Senior Executives

Valter Moro  
Chief Executive Officer

### Business Relations

- (i) Contract for Service Provision by Enel Chile: Internal audit and compliance control. Price: UF amount per worked hour that Enel Chile' staff dedicated for the provision of services.
- (ii) Contract for Service Provision by Enel Chile: Communication, Global Services, Human Resources Administration and Equity Management. Price: monthly amount expressed in U.F.

### Enel Chile's Stake (Direct and Indirect)

61.49%

Proportion on Enel Chile's Assets

0.17%

GasAtacama Chile S.A. acquired Compañía Eléctrica Tarapacá S.A. on November 1<sup>st</sup>, 2016.

## CENTRALES HIDROELECTRICAS DE AYSÉN

### Name

Centrales Hidroeléctricas de Aysén S.A.

### Type of Company

Privately held corporation, incorporated in Santiago, Chile, registered in the Securities Register of the SVS.

### Taxpayer ID

76,652,400-1.

### Address

In Santiago, Chile: 383 Miraflores, office 1302  
In Coyhaique, Chile: 260 Baquedano  
In Cochrane, Chile: 324 Teniente Merino

### Telephone No

(562) 2713 5000

### Subscribed and Paid Capital (Th\$)

185,045,662

### Corporate Purpose

The development, finance, property and exploitation of a hydroelectric project in the XI Region of Aysén, of an estimated capacity of 2,750 MW through five hydroelectric power plants, collectively **Named "Aysén Project"**. To fulfill its purpose, the company may engage in the following activities: a) generate and transport electricity; b) supply and commercialize electricity to its shareholders; c) manage, operate and maintain hydraulic infrastructure, electricity systems and hydroelectric power generating plants.

### Core Business

Electricity generation (project).

### Directors

Carlo Carvallo Artigas  
Bernardo Larrain Matte  
Luis Ignacio Quiñones Sotomayor  
Juan Eduardo Vasquez  
Luis Felipe Gazitúa Achondo  
Ramiro Alfonsín Balza

### Alternate Directors

Bernardo Canales Fuenzalida  
Eduardo Lauer Rodríguez  
Claudio Helfmann Soto  
Rodrigo Pérez Stieповic  
Sebastián Moraga Zúñiga  
Rodrigo Paredes Barriá

### Senior Executives

Camilo Charme Ackerman  
Chief Executive Officer

### Business Relations

The Company has no business relationships with Enel Chile.

### Enel Chile's Stake (Direct and Indirect)

30.59% - Unchanged

## ENEL DISTRIBUCIÓN CHILE S.A.

### Name

Enel Distribución Chile S.A.

### Type of Company

Publicly Traded Company

### Taxpayer ID

96,800,570-7

### Address

76 Santa Rosa, 8<sup>th</sup> floor. Santiago, Chile

### Telephone No

(56 2) 2675 2000

### Subscribed and Paid Capital (Th\$)

230,137,980

### Corporate Purpose

Operate the distribution and sale of electric, hydraulic, thermal or any other kind of energy in Chile or abroad, as well as the distribution, transport and sale of fuels of any kind, thus supplying this energy or fuel directly or through other companies to as many customers as possible.

### Core Business

Electricity distribution.

### Board of Directors

Gianluca Caccialupi (Chairman)  
Francesca Romana Napolitano (Vice Chairman)  
Monica Hodor  
Iris Boeninger von Kretschmann  
Hernán Felipe Errázuriz Correa

### Senior Executives

Andreas Gebhardt Strobel (Chief Executive Officer)  
Simone Tripepi  
Andrés González Cerruti  
Francisco Miqueles Ruiz  
Daniel Gómez Sagner  
Pietro Corsi Misle  
Horacio Aránguiz Pinto

#### Business Relations

- (i) Contract for services provision by Enel Chile: Comprehensive Supply Service; Materials Procurement Management; Contracting of Works, Services and Consultancies; Reception, Storage and Supply of Recurrent and Non-recurrent Materials; Sales Agent. Price: Mark-up over average price of consumed materials.
- (ii) Contract for services provision by Enel Chile: Financial Management, management and corporate services. Price: monthly amount fixed in UF.
- (iii) Contract for utilization of Lo Sáez Stadium, located at 858 Carlos Medina, Independencia. Price: Monthly amount fixed in UF per Chilectra worker.
- (iv) Trade accounts receivable
- (v) Contract for administration services provision by Enel Chile. Price: Monthly amount fixed in UF.

**Enel Chile's Stake (Direct and Indirect)**  
99.09% - Unchanged

**Proportion of Enel Chile Assets**  
16.57%

## ELECTROGAS

**Name**  
Electrogas S.A.

**Type of Company**  
Privately held corporation

**Taxpayer ID**  
96,806,130-5

**Address**  
5900 Alonso de Córdova, Office 401, Las Condes, Santiago, Chile.

**Telephone N°**  
(562) 2299 3400

**Subscribed and Paid Capital (Th\$)**  
14,222,060

**Corporate Purpose**  
Provide transportation services for natural gas and other fuels, personally or for a third party, for which it can build, operate and maintain gas pipelines, oil pipelines, multipurpose pipelines and complementary facilities.

**Core Business**  
Gas Transportation

**Directors**  
Humberto Espejo Paluz  
Juan Eduardo Vásquez Moya  
Ricardo Santibáñez Zamorano  
Eduardo Lauer Rodríguez  
Marco Arróspide Rivera  
Pedro de la Sotta Sánchez

#### Alternate Directors

Andrés Opazo Irarrázaval  
Patricio Pérez Cotapos  
Luis Le Fort Pizarro  
Juan Oliva Vásquez  
Rodrigo Bloomfield Sandoval  
Alex Díaz Sanzana

**Senior Executives**  
Alan Fischer Hill  
Chief Executive Officer

**Business Relations**  
The Company has no business relationships with Enel Chile.

**Enel Chile's Stake (Direct and Indirect)**  
25.49% - Unchanged

## EMPRESA ELÉCTRICA DE COLINA

**Name**  
Empresa Eléctrica de Colina Ltda.

**Type of Company**  
Limited Liability Company

**Taxpayer ID**  
96,783,910-8

**Address**  
31 Chacabuco, Colina Santiago, Chile

**Telephone N°**  
(56 2) 2844 4280

**Subscribed and Paid Capital (Th\$)**  
82,222

**Corporate Purpose**  
Distribution and sale of electricity and various electrical and computational appliances for home, sports, and entertainment.

**Core Business**  
Electricity distribution.

Pooled Administration  
Francisco Javier Evans Miranda  
Rodrigo Vicente Arévalo Cid

**Senior Executives**  
Francisco Javier Evans Miranda  
Chief Executive Officer

- Business Relations**
- (i) Contract for service provision by Enel Chile: Comprehensive Supply Service; Materials Procurement Management; Contracting of Works, Services and Consultancies; Reception, Storage and Supply of Recurrent and Non-recurrent Materials; Sales Agent. Price: Mark-up over average price of consumed materials.
  - (ii) Contract for service provision by Enel Chile: Provision of internal audit and compliance control services. Price: Amount of UF per hour worked that Enel Chile' staff dedicates to the contracted services.

- (iii) Contract for management services provision by Enel Chile Price: monthly amount in UF.

**Enel Chile's Stake (Direct and Indirect)**  
99.09% - Unchanged.

## ENEL GENERACIÓN CHILE

**Name**  
Enel Generación Chile S.A.

**Type of Company**  
Publicly Traded Company

**Taxpayer ID**  
91.081.000-6

**Address**  
76 Santa Rosa Ave. Santiago, Chile

**Telephone N°**  
(56 2) 2630 9000

**Subscribed and Paid Capital (Th\$)**  
552,777,321

**Corporate Purpose**  
Generation and supply of electricity; provision of engineering and consulting services; and construction and exploitation of infrastructure projects in Chile and abroad.

**Core Business**  
Electricity Generation

**Board of Directors**  
Giuseppe Conti (Chairman)  
Francesco Giorgianni (Vice Chairman)  
Francesco Buresti  
Julio Pellegrini Vial  
Mauro Di Carlo  
Umberto Magrini  
Luca Noviello  
Enrique Cibié Bluth  
Jorge Atton Palma

**Senior Executives**  
Valter Moro (Chief Executive Officer)  
Raúl Arteaga Errázuriz (Deputy Executive Officer)  
Luis Ignacio Quiñones Sotomayor  
Bernardo Canales Fuenzalida  
Humberto Espejo Paluz  
Claudio Helfmann Soto  
Jorge Burlando Bonino  
Luis Vergara Adamides

- Business Relations**
- (i) Contract for services provision by Enel Chile: Supply Services; Materials Procurement Management; Contracting of Works, Services and Consultancies. Price: Directly proportional to costs associated to staff list and to operational and maintenance expenses. Every year, value for next annual period is determined, introducing the proper improvements and efficiencies.
  - (ii) Contract for services provision by Enel Chile: Money desk and treasury service. Price: Monthly amount expressed in UF.

- (iii) Contract for services provision by Enel Chile: Accounting Services. Price: Monthly amount expressed in UF.
- (iv) Contract for services provision by Enel Chile: Service provision of internal audit and compliance control. Price: UF amount per worked hour that Enel Chile staff dedicates to contracted services.
- (v) Agreement for the use of the Stadium Lo Sáez located at 858 Carlos Medina, Independencia. Price: Monthly amount expressed in UF per Endesa Chile's employee.
- (vi) Trade accounts receivable
- (vii) Loan from Enel Chile for \$250 million dated December 16, 2015, due on December 15, 2016. As of December 31, 2015, the balance was \$250 million.
- (viii) Administration services provision agreement by Enel Chile.

**Enel Chile's Stake (Direct and Indirect)**  
59.98% - Unchanged

**Proportion on Enel Chile's Assets**  
63.67%

## EÓLICA CANELA

**Name**  
Central Eólica Canela S.A.

**Type of Company**  
Privately held corporation

**Taxpayer ID**  
76,003,204-2

**Address**  
76 Santa Rosa, Santiago, Chile

**Telephone N°**  
(562) 2630 9000

**Subscribed and Paid Capital (Th\$)**  
12,284,743

**Corporate Purpose**  
Promote and develop renewable energy projects, mainly in wind-powered energy; identify and develop Clean Development Mechanism (MDL in its Spanish acronym) projects, and act as a depositary and trader of Emission Reduction Certificates resulting from such projects. It may also generate, transport, distribute, supply and commercialize electricity, allowing the company to acquire and benefit from the corresponding concessions.

**Core Business**  
Electricity Generation

**Directors**  
Raúl Arteaga Errázuriz (Chairman)  
Carlo Carvallo Artigas  
Claudio Helfmann Soto  
Bernardo Canales Fuenzalida  
Juan Cristóbal Pavez Recart

**Alternate Directors**  
Carlos Peña Garay  
Ariel González Rogget

Claudio Betti Pruzzo  
Rodrigo Arias Suarez

**Senior Executives**  
Carlo Carvallo Artigas  
Chief Executive Officer

**Business Relations**

- (i) Contract for services provision by Enel Chile: Provision of Internal Audit and Compliance Control Services, Price: amounts expressed in per working hour that Enel Chile's staff assign to the contracted services.
- (ii) Contract for management services by Enel Chile. Price: monthly amount expressed in U.F.

**Enel Chile's Stake (Direct and Indirect)**  
45.77% - Unchanged

## GASATACAMA (merged with GasAtacama Chile)

**Name**  
GasAtacama S.A.

**Type of Company**  
Privately held corporation

**Taxpayer ID**  
96,830,980-3

**Address**  
76 Santa Rosa, Santiago, Chile.

**Telephone N°**  
(562) 2366 3800

**Subscribed and Paid Capital (Th\$)**  
176,857,970

**Corporate Purpose**  
The company has the following purposes:  
a) managing and directing the companies Gasoducto Atacama Chile Limitada, Gasoducto Atacama Argentina Limitada, GasAtacama Generación Limitada, and other companies the partners agree on; b) investing on resources, either through its own account or through third parties, of all kinds of movable property, real estate, securities and other negotiable instruments.

**Core Business**  
Investment company

**Directors**  
Raúl Arteaga Errázuriz (Chairman)  
Sergio Ávila Arancibia  
Pablo Arnes Poggi  
Humberto Espejo Paluz

**Alternate Directors**  
Bernardo Canales Fuenzalida  
Carlo Carvallo Artigas  
Rodrigo Paredes Barria

**Senior Executives**  
Valter Moro  
Chief Executive Officer

**Business Relations**  
The company does not have any business relationships with Enel Chile.

**Enel Chile's Stake (Direct and Indirect)**  
61.03%

GasAtacama S.A. merged with Compañía Eléctrica Tarapacá S.A., and then Compañía Eléctrica Tarapacá S.A. merged with Gasatacama Chile S.A. on November 1<sup>st</sup>, 2016.

## GASATACAMA CHILE

**Name**  
GasAtacama Chile S.A.

**Type of Company**  
Privately held corporation

**Taxpayer ID**  
78,932,860-9

**Address**  
76 Santa Rosa, Santiago, Chile.

**Telephone N°**  
(562) 2366 3800

**Subscribed and Paid Capital (Th\$)**  
482,511,131

**Corporate Purpose**  
The company has the following purposes:  
a) develop the generation, transmission, purchase, distribution and commercialization of electricity or energy of any other source; b) purchase, extract, operate, process, distribute, commercialize and sell solid, liquid and gaseous fuels; c) sell and provide engineering services; d) acquire, purchase, transfer, lease, charge and develop, in any form, the concessions referred to in the General Law on Electricity Services, maritime concessions and water usage rights of any nature; e) transport natural gas, through its own means or jointly with third parties within the territory of Chile or abroad, including the construction, siting and operation of gas pipelines and other activities directly or indirectly related to such operations; f) the capture, extraction, treatment, desalination, transportation, distribution, commercialization, delivery and supply of seawater, in all its forms, including natural, drinkable, desalinized or with any other treatment, either personally or through a third party; g) invest in all types of assets, tangible or intangible, movable or fixed; h) organize and create all kinds of companies whose objectives are related or linked to the energy industry in any form, or use electricity as their main input, or that relate to any of the aforementioned activities. To achieve its purpose, the company may carry out all acts and enter into all contracts contributing to its business activities, including the purchase, sale, acquisition or disposal, on any account, of all kinds of assets, tangible or intangible, movable or fixed, and may enter existing companies or join in their formation, whatever their kind.

**Core Business**

Electricity generation and gas transportation

**Directors**

Raúl Arteaga Errázuriz (Chairman)  
Pablo Arnés Poggi  
Humberto Espejo Paluz  
Sergio Ávila Arancibia

**Alternate Directors**

Rodrigo Paredes Barría  
Bernardo Canales Fuenzalida  
Carlo Carvallo Artigas

**Senior Executives**

Valter Moro  
Chief Executive Officer

**Business Relations**

The company does not have any business relationships with Enel Chile.

**Enel Chile's Stake (Direct and Indirect)**

61.03%

**Proportion on Enel Chile's Assets**

0.68%

## GASODUCTO ATACAMA ARGENTINA

**Name**

Gasoducto Atacama Argentina S.A.

**Type of Company**

Privately held corporation

**Taxpayer ID**

78,952,420-3

**Address**

76 Santa Rosa, Santiago, Chile.

**Telephone N°**

(562) 2366 3800

**Subscribed and Paid Capital (Th\$)**

126,309,044

**Corporate Purpose**

The transportation of natural gas, either personally, through or jointly with a third party, within the Chilean territory or abroad, including the construction, siting and operation of gas pipelines and other operations directly or indirectly related to this objective. The company has incorporated an agency in Argentina under the Name of Gasoducto Cuenca Noroeste Limitada Sucursal Argentina, whose purpose is the construction of a gas pipeline between the locality of Cornejo, province of Salta and the Argentina-Chile border in the vicinity of Paso de Jama, in Chile's second Region.

**Core Business**

Gas transportation

**Directors**

Raúl Arteaga Errázuriz (Chairman)  
Alex Díaz Sanzana  
Pablo Arnes Poggi

**Alternate Directors**

Bernardo Canales  
Ricardo Santibáñez Zamorano  
Rodrigo Paredes Barría

**Senior Executives**

Valter Moro  
Chief Executive Officer

**Business Relations**

The company has no business relationships with Enel Chile.

**Enel Chile's Stake (Direct and Indirect)**

61.03%

## GASODUCTO TALTAL (Merged with GasAtacama Chile)

**Name**

Gasoducto Taltal S.A.

**Type of Company**

Privately held corporation

**Taxpayer ID**

77,032,280-4

**Address**

76 Santa Rosa, Santiago, Chile.

**Telephone N°**

(562) 2366 3800

**Subscribed and Paid Capital (Th\$)**

14,255,421

**Corporate Purpose**

Transporting natural gas, either personally, through or jointly with a third party, within the Chilean territory or abroad, especially between the localities of Mejillones and Paposo in Chile's second region, including the construction, siting and operation of gas pipelines and other operations directly or indirectly related to this objective.

**Core Business**

Gas transportation

**Directors**

Juan Oliva Vásquez  
Alex Díaz Sanzana  
Ricardo Santibáñez Zamorano

**Senior Executives**

Valter Moro  
Chief Executive Officer

**Business Relations**

The company has no business relationships with Enel Chile.

**Enel Chile's Stake (Direct and Indirect)**

60.74%

This company was absorbed by GasAtacama Chile S.A. on September 1<sup>st</sup>, 2016

## GNL CHILE

**Name**

GNL Chile S.A.

**Type of Company**

Privately held corporation

**Taxpayer ID**

76,418,940-K

**Address**

532 Rosario Norte, office 1303, Las Condes, Santiago.

**Telephone No**

(562) 2892 8000

**Subscribed and Paid Capital (Th\$)**

2,023,789

**Corporate Purpose**

To a) hire the services of GNL Quintero S.A., a liquefied natural gas ("LNG") regasification company, and utilize all its storage, processing, regasification, and delivery capacity of natural gas and LNG available at its regasification terminal, including its expansions, if any, and any other matter stipulated in the contracts the company might sign for the use of the regasification terminal; b) import LNG from suppliers, complying with LNG sales contracts; c) sell and deliver natural gas and LNG, complying with the natural gas and LNG sales contracts signed by the company with its customers; d) manage and coordinate the schedules and nominations of LNG cargoes, as well as the delivery of natural gas and LNG among various customers; and e) fulfill all its obligations and demand the enforcement of all its rights under the previously identified contracts, coordinate all operations under these contracts and, in general, carry out any type of act or enter into any contract that might be necessary, useful or convenient in order to accomplish its purpose.

**Core Business**

Importing and commercializing natural gas

**Directors**

Andres Alonso Rivas  
Alex Díaz Sanzana  
Klaus Lürhmann Poblete

**Alternate Directors**

Luis Arancibia Yiacometti  
Yasna Ross  
Humberto Espejo Paluz

**Senior Executives**

Alejandro Palma Rioseco  
Chief Executive Officer

**Business Relations**

The company has no business relationships with Enel Chile.

**Enel Chile's Stake (Direct and Indirect)**

19.99% - Unchanged



## GNL QUINTERO (Sold, no longer part of the Enel Group)

### Name

GNL QUINTERO S.A.

### Type of Company

Privately held corporation

### Taxpayer ID

76,788,080-4

### Address

532 Rosario Norte, office 1604, Las Condes,  
Santiago, Chile

### Telephone N°

(562) 2499 0900

### Subscribed and Paid Capital (Th\$)

80,953,329

### Corporate Purpose

The development, financing, design, engineering, supply, construction, startup, operation and maintenance of a liquefied natural gas (GNL in its Spanish acronym) storage and regasification plant, and its corresponding maritime terminal for GNL loading and unloading and its expansions, if any, including all necessary installations and connections needed to deliver GNL through the freight yard with trucks and/or one or more pipeline delivery points ("Regasification Terminal"); as well as any other activity that is conducive or related to said purpose, including, but not limited to, managing and directing all necessary trade agreements required to receive or deliver GNL to customers, GNL regasification, natural gas delivery, offering services and storage capacity, processing, regasification, and loading and unloading in the Regasification Terminal and GNL delivery ("the Project") and its expansions, if any; and b) provision of management services and administrative advice in general necessary for the company's proper operation. This term is defined in section 13.4 of the Thirteenth Article of the bylaws, which stipulates that GNL Chile S.A. will have the ability to carry out any act or sign any contract that might be necessary, useful or convenient in order to fulfill its purpose.

### Core Business

Unloading, storing, regasification, and delivering liquefied natural gas and natural gas.

### Directors

Marco Arróspide Rivera  
Víctor Turpaud Fernández  
Juan Oliva Vásquez  
José Antonio de las Heras  
Sultán Al Bartami

### Alternate Directors

Ricardo Santibáñez Zamorano  
Jorge Beytia Moure  
Rafael González Rodríguez  
Hilal Al Kharusi

### Senior Executives

Antonio Bacigalupo Gittins  
Chief Executive Officer

### Business Relations

The company has no business relationships with Enel Chile.

### Enel Chile's Stake (Direct and Indirect)

12.00% - Unchanged

On September 14<sup>th</sup>, 2016, the shareholding held by Enel Generación Chile of GNL Quinteros was sold and therefore from that date on it is no longer a subsidiary.

## GNL NORTE (Merged with GasAtacama Chile)

### Name

GNL Norte S.A.

### Type of Company

Privately held corporation

### Taxpayer ID

76,676,750-8

### Address

76 Santa Rosa Ave.  
Santiago, Chile

### Subscribed and Paid Capital (Th\$)

1,000

### Corporate Purpose

The **Corporate Purpose** of the company is the production, transportation, distribution, storage and supply of any kind of energy and fuel, to the effect of which it may obtain, purchase and benefit from the respective concessions and grants. The purpose shall also be to acquire, design, construct, maintain and exploit all types of civil and infrastructure works related to energy and fuel, especially those related to its maritime reception, processing and transportation. For a better and proper compliance with its Corporate Purpose, the company may constitute, purchase, enter as partner, shareholder or in any other direct way or with third parties or subsidiary companies, societies, institutions of any kind or nature, both in Chile and abroad, and in general, celebrate any acts or agreements and develop any activity related directly or indirectly with said purposes.

### Core Business

Production, transportation and storage of all kinds of energy and fuels

### Directors

Alex Diaz Sanzana  
Juan Oliva Vásquez  
Ricardo Santibáñez Zamorano

### Senior Executives

Valter Moro  
Chief Executive Officer

### Business Relations

The company has no Business Relations with Enel Chile.

### Enel Chile' Stake (Direct and Indirect)

60.74%

This company was absorbed by GasAtacama Chile S.A. as of September 12<sup>th</sup>, 2016.

## INVERSIONES GASATACAMA HOLDING (Merged with GAT Chile)

### Name

Inversiones GasAtacama Holding Limitada

### Type of Company

Limited Liability Company

### Taxpayer ID

76,014,570-K

### Telephone N°

(562) 2366 3800

### Subscribed and Paid Capital (Th\$)

202,362,770

### Corporate Purpose

The company's purpose is to a) participate, either directly or indirectly, in companies whose purpose includes one or more of the following activities: i) the transportation of natural gas in any form; ii) the generation, transmission, purchase, distribution and sale of electricity; iii) the funding of the operations mentioned in i) and ii), developed by related third parties, and b) the reception and investment of assets for investment, including the related for-profit activities already mentioned.

### Core Business

Investments

### Directors

Vacant  
Raúl Arteaga Errázuriz  
Pablo Arnes Poggi  
Humberto Espejo Paluz  
Rodrigo Paredes Barría

### Senior Executives

Valter Moro  
Chief Executive Officer

### Business Relations

The company has no business relationships with Enel Chile.

### Enel Chile's Stake (Direct and Indirect)

60.74%

This company was absorbed by CELTA and then CELTA was absorbed by GasAtacama Chile S.A. as of November 1<sup>st</sup>, 2016.

## LUZ ANDES

### Name

Luz Andes Limitada

### Type of Company

Limited Liability Company

### Taxpayer ID

96,800,460-3

### Address

76 Santa Rosa, Santiago, Chile

### Telephone N°

(56 2) 2634 6310

### Subscribed and Paid Capital (Th\$)

1,224

### Corporate Purpose

Distribution and sale of electricity, and sale of household, sports, entertainment and computer appliances

### Core Business

Electricity distribution.

### Joint Administration (must act jointly)

Claudio Inzunza Díaz  
Jaime Manríquez Kemp

### Senior Executives

Claudio Inzunza Díaz  
Chief Executive Officer

### Business Relations

- (i) Contract for services provision by Enel Chile: Procurement Integral Services: Comprehensive Supply Service, Materials Procurement Management, Contracting of Works, Services and Consultancies, Reception, Storage and Supply of Recurrent and Non recurrent Materials, Sales Agent. Price: Mark-up over average price of consumed materials.
- (ii) Contract for services provision by Enel Chile: Provision of internal audit and compliance control services. Price: UF amount per worked hour that Enel Chile' staff dedicates to contracted services.
- (iii) Administration service provision agreement by Enel Chile. Price: Monthly amount expressed in UF.

### Enel Chile' Stake (Direct and Indirect)

99.09% - Unchanged

## PEHUENCHE

### Name

Empresa Eléctrica Pehuenche S.A.

### Type of Company

Publicly held corporation.

### Taxpayer ID

96,504,980-0

### Address

76 Santa Rosa, Santiago, Chile.

### Telephone N°

(562) 2630 9000

### Subscribed and Paid Capital (Th\$)

175,774,920

### Corporate Purpose

Generate, transport, distribute and supply electricity, for which the company may acquire and benefit from the respective concessions.

### Core Business

Electricity generation

### Board of Directors

Raúl Arteaga Errázuriz (Chairman)  
Luis Ignacio Quiñones Sotomayor  
Jorge Burlando Bonino  
Claudio Helfmann Soto  
Fernando Vallejos Reyes

### Senior Executives

Carlo Carvallo Artigas  
Chief Executive Officer

### Business Relations

- (i) Contract for Service Provision by Enel Chile: Communication, Global Services, Human Resources Administration and Equity Management. Price: monthly amount expressed in U.F.

### Enel Chile's Stake (Direct and Indirect)

55.57% - Unchanged

## PROGAS (Merged with GasAtacama Chile)

### Name

Progas S.A.

### Type of Company

Privately held corporation

### Taxpayer ID

96,905,700-K

### Address

3356 Isidora Goyenechea, 8<sup>th</sup> floor, Santiago, Chile.

### Telephone N°

(562) 2366 3800

### Subscribed and Paid Capital (Th\$)

1,154

### Corporate Purpose

Develop the following businesses in the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> regions of the country: the acquisition, production, storage, transportation, distribution, transformation and trading of natural gas and other oil derivatives and fuels in general, the supply of services, manufacture, trading of equipment and materials, and carrying out works related to the above purposes or those necessary for their execution and development, any other activity necessary or leading to comply with the aforementioned purposes.

### Core Business

Gas supply

### Board of Directors

Alex Díaz Sanzana  
Ricardo Santibañez Zamorano  
Juan Oliva Vásquez

### Senior Executives

Valter Moro  
Chief Executive Officer

### Business Relations

The company has no business relationships with Enel Chile.

### Enel Chile' Stake (Direct and Indirect)

60.74%

Progas was absorbed by GasAtacama Chile S.A as of September 1<sup>st</sup>, 2016.

## SERVICIOS INFORMÁTICOS E INMOBILIARIOS LTDA.

### Name

Servicios Informáticos e Inmobiliarios Limitada

### Type of Company

Limited Liability Company

### Taxpayer ID

76,107,186-6

### Address

76 Santa Rosa, floor 9. Santiago, Chile

### Telephone N°

(562) 2353 4606

### Subscribed and Paid Capital (Th\$)

61,948,674

### Corporate Purpose

The purpose will be to carry out on its own or through third parties, the following activities: 1) Consultancy services provision in matters related to information technology and computing, telecommunications and data transmission; management, consultancy, advisory and administration of the company's or a third party's contracts that are related to said matters; establishing, managing and exploiting data base centers; creation, development, design, management, operation, marketing, purchase, sale, import, and export of all kinds of software; contracts' management and administration and projects' development and execution, 2) To acquire and sell all kinds of corporeal or incorporeal property related to its object; to provide services and to obtain representations for the best compliance of its purpose; organize, constitute, participate and be part of all kinds of companies, associations or joint accounts; to make all kinds of money, service and property contributions, whichever its sort and to sign service and consultancy provision agreements, either in Chile or abroad, 3) Administration and exploitation of own or third

parties' businesses and, in general, development of any activity connected or supplementary to the aforementioned purposes, and those the partners deem mutually convenient, 4) Purchase, alienation, parceling, subdivision, lot division, sale and exploitation at any title of all kinds of real estate, on its own account or through third parties, to invest the corporate funds in all kinds of property, immovable or movable, corporeal or incorporeal and rights in societies; to manage them and to receive its fruits and rents.

#### Core Business

Consultancy services in information technology; computing, telecommunications, data transmission, purchase and alienation of all kinds of property within the **Corporate Purpose**; and real estate services

#### Senior Executives

Tomás Blásquez de la Cruz (Chief Executive Officer and Trustee Administrator)  
Francisco Javier Galán  
Ángel Barrios Romo  
Hans Richard Knoop Frick

#### Business Relations

- (i) Professional service agreement for ICT's Management. Price: Operation cost plus margin.
- (ii) Agreement for the use of Lo Sáez Stadium located at 858 Carlos Medina St., Independencia. Price: Monthly amount expressed in UF, per ICT's worker.
- (iii) Contract for services provision by Enel Chile: Supply Services. Management of Materials' Procurement and Works Contracting, Services and Consultancy. Price: Directly related to associated staff's costs and to operational and maintenance expenses. Every year the annual value for the next period is determined annually, introducing the proper improvements and efficiencies.
- (iv) Contract for services provision by Enel Chile: Provision of internal audit and compliance control services. Price: UF amount per worked hour that Enel Chile' staff dedicates to contracted services.
- (v) Trade accounts receivable.
- (vi) Administration services' provision by Enel Chile. Price: Monthly amount expressed in UF.

#### Enel Chile's Stake (Direct and Indirect)

100.00%

#### Proportion on Enel Chile' Assets

0.50%

## TRANSQUILLOTA

#### Name

Transmisora Eléctrica de Quillota Ltda.

#### Type of Company

Limited liability Company

#### Taxpayer ID

77,017,930-0

#### Address

Route 60, km 25, Lo Venecia, Quillota, V Region of Valparaíso, Chile.

#### Telephone N°

(562) 2630 9000

#### Subscribed and Paid Capital (Th\$)

4,404,446

#### Corporate Purpose

Transportation, distribution, and supply of electricity, either personally or through a third party.

#### Core Business

Electricity transmission

#### Representatives

Vacant  
Ricardo Santibáñez Zamorano  
Juan Eduardo Vásquez Moya  
Mauricio Cabello

#### Business Relations

The company has no commercial relations with Enel Chile.

#### Enel Chile's Stake (Direct and Indirect)

30.52% - Unchanged

#### Notes

1. There are no contracts or acts signed by Enel Chile S.A. with its subsidiaries or associate companies that significantly influence its operations or outcomes.
2. Regarding business relations, the future connections with subsidiary or associated companies are to be aligned with the Corporate Purpose; especially when providing financial resources necessary for the development of a subsidiary companies' business and trade; and also when providing management services; financial, commercial, technical and legal consultancy services; audit services, and in general, any service that seems necessary to improve its business performance.







## Statement of Responsibility



# Statement of Responsibility

The Directors of Enel Chile S.A. and its Chief Executive Officer, signatories of this statement, are responsible under oath of the veracity of the information provided in this Annual Report, in compliance with the General Norm N°30, issued by the Superintendence of Securities and Insurance.



CHAIRMAN  
Herman Chadwick Piñera  
Taxpayer Id.: 4,975,992-4



VICECHAIRMAN  
Giulio Fazio  
Passport: YA4656507



DIRECTOR  
Salvatore Bernabei  
Taxpayer Id.: 24,220,743-2



DIRECTOR  
Pablo Cabrera Gaete  
Taxpayer Id.: 4,774,797-K



DIRECTOR  
Vincenzo Ranieri  
Passport: YA7616919



DIRECTOR  
Gerardo Jofré Miranda  
Taxpayer Id.: 5,672,444-3



DIRECTOR  
Fernán Gazmuri Plaza  
Taxpayer Id. : 4,461,192-9



CHIEF EXECUTIVE OFFICER  
Nicola Cotugno  
Taxpayer Id.: 25,476,277-6







# Consolidated Financial Statements

